

THE PROCEEDINGS ARE ISSUED TWICE A YEAR
THIS IS THE SECOND ISSUE FOR 1952

PROCEEDINGS
OF THE
ACADEMY OF POLITICAL SCIENCE

Volume XXV]

MAY 1952

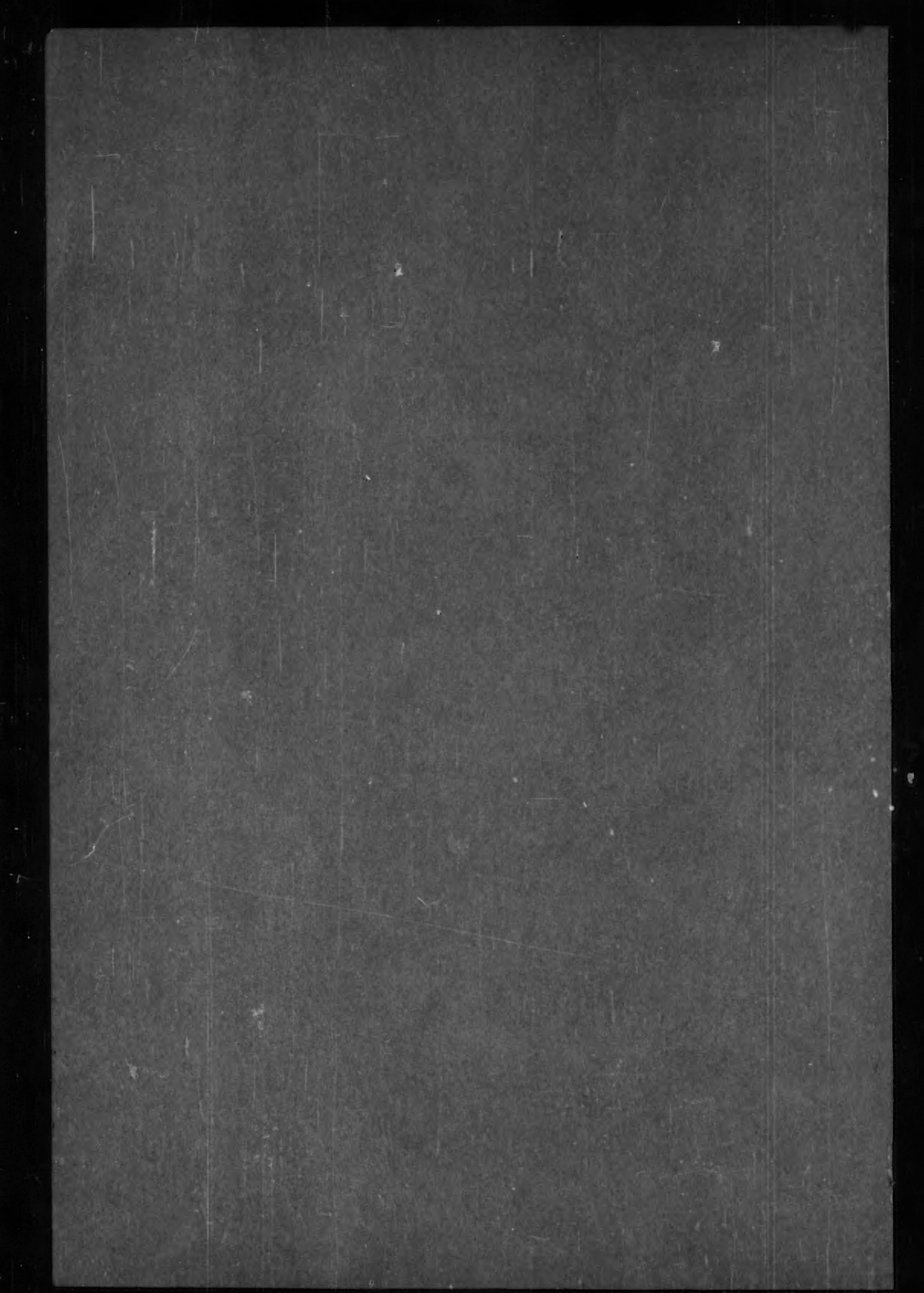
[Number 1

THE ELECTION ISSUES OF 1952

A SERIES OF ADDRESSES AND PAPERS PRESENTED AT THE SEMI-ANNUAL
MEETING OF THE ACADEMY OF POLITICAL SCIENCE
APRIL 24, 1952

EDITED BY
JOHN A. KROUT

PUBLISHED BY
THE ACADEMY OF POLITICAL SCIENCE
COLUMBIA UNIVERSITY
NEW YORK



PROCEEDINGS
OF THE
ACADEMY OF POLITICAL SCIENCE

Volume XXV]

MAY 1952

[Number 1

THE ELECTION ISSUES OF 1952

A SERIES OF ADDRESSES AND PAPERS PRESENTED AT THE SEMI-ANNUAL
MEETING OF THE ACADEMY OF POLITICAL SCIENCE
APRIL 24, 1952

EDITED BY

JOHN A. KROUT

THE ACADEMY OF POLITICAL SCIENCE
COLUMBIA UNIVERSITY

NEW YORK

1952

COPYRIGHT 1952 BY

THE ACADEMY OF POLITICAL SCIENCE

PREFACE

IN this year of a momentous presidential election, when the tumult and the shouting on the political hustings may rise as high as at any time in our national history, it seemed appropriate for the Academy of Political Science to direct the attention of its members toward the issues that the American people need to consider with all the understanding they possess. The decisions of 1952 may not turn upon the viewpoints here presented, but the topics that concerned the Academy's Spring Meeting in its seventy-second year cannot long be neglected by the electorate. The participants in the discussion in New York City on April 24, 1952, brought intelligence and candor—and a minimum of partisanship—to the conference. They often disagreed, but it will be interesting and informative to compare their opinions, concerning budget and tax problems, public debt management, labor-management relations, agricultural subsidies, federal bureaucracy and many other subjects, with the policies advocated by the several candidates, as the presidential and Congressional campaigns move forward. Such a comparison might even be helpful to the candidates.

The readers of this issue of the PROCEEDINGS, as well as those who attended the sessions at the Hotel Astor, are indebted to the authors of the papers here presented and to the leaders of the various conferences.

CONTENTS

	PAGE
Preface	iii
PART I: FEDERAL FINANCIAL AND SOCIAL POLICIES	
<i>Robert M. Haig</i> Introduction	1
<i>Lloyd G. Reynolds</i> Policies Concerning Labor- Management Relations	3
<i>Roswell Magill</i> How to Balance the Federal Budget	13
<i>Eugene Staley</i> Technical and Economic Assist- ance under Point Four	23
<i>Donald B. Woodward</i> Public Debt Management	33
Discussion: Federal Financial and Social Policies	45
PART II: POLITICAL ISSUES OF THE CAMPAIGN	
<i>Dana G. Munro</i> Introduction	53
<i>Earl L. Butz</i> The Politics of Agricultural Subsidies	54
<i>Gerald W. Johnson</i> The Extension of Federal at the Expense of State Powers	69
<i>Louis M. Hacker</i> The Presidency and the Election	78
<i>David B. Truman</i> "Influence" at Washington ...	88
<i>Dwight E. Lee</i> State Department and Foreign Policy	100
Discussion: Political Issues of the Campaign	109
PART III: INFLATION AND FREE ENTERPRISE	
<i>W. Randolph Burgess</i> Introduction	112
<i>Irving S. Olds</i> Inflation or Free Enterprise ...	115
<i>John Taber</i> Inflation and the National Budget	126

PART I

FEDERAL FINANCIAL AND SOCIAL POLICIES

INTRODUCTION

ROBERT M. HAIG, *Presiding*

McVickar Professor of Political Economy, Columbia University
Member, Board of Directors, Academy of Political Science

THE hour announced having arrived, it is my pleasure to welcome you to the Spring Meeting of the Seventy-second Year of the Academy of Political Science.

It is the function of the presiding officer to occupy a few moments to make certain that the latecomers are accommodated before the program begins. I am reminded of a story that you have doubtless heard, regarding the British civil servant who, schooled in the tradition of his Service to protect himself and his superiors from all commitments, was accustomed to resort to language in his letters which seemed to say something and said nothing. He composed his own epitaph which was engraved on his tomb. It read: "Here lies John Jones, Civil Servant. He appears to be dead."

I hope the stenographer will simply record that the presiding officer opened the meeting and appeared to be talking.

Our papers today are grouped around the general topic of "The Election Issues of 1952". We have all heard recently, of course, of the letter that has been sent to one of our Columbia colleagues, asking some twenty-one impertinent questions.

[Laughter] I suspect the Program Committee has taken advantage of this opportunity to provide one of our leading Senators with some reading matter, and our President at Columbia University with the opportunity merely to refer to the proceedings of this meeting as a full and complete answer to the twenty-one questions.

In any case, we have a notable array of well-informed persons who will discuss various of these questions, and the first of these gentlemen is Professor Lloyd G. Reynolds, Chairman of the Department of Economics, of Yale University. His topic is, "Policies Concerning Labor-Management Relations". Mr. Reynolds!

POLICIES CONCERNING LABOR-MANAGEMENT RELATIONS

LLOYD G. REYNOLDS

Chairman, Department of Economics, Yale University

I WANT to talk briefly about two issues: one of immediate importance, the other of great long-run importance. The first issue has to do with the future of the wage level and the development of proper standards for wage determination, which is obviously very important at the present time and will be in the immediate future.

Over the longer run, I am convinced that the most important and difficult problem in labor relations has to do with methods of adjusting disputes in so-called essential industries. How do you get a settlement of a labor-management dispute when you are unwilling to stand the cost of a strike?

On the matter of wages, I suppose the first question which comes to mind is whether there is any need at the present time for continued government intervention in the setting of wages and prices. Can we afford to dispense with direct controls in this area? This is a difficult problem and I have no strong convictions about it. Certainly there are many good arguments for dropping direct controls. One can argue that the economy has been in reasonably good balance over the past year. There has not been any marked change in price levels, and there is reason to think that this situation may continue for at least six or nine months ahead.

One can also argue that, if inflationary pressures are resumed, the proper way to meet them is through monetary and fiscal policies rather than through direct controls over wages and prices. This is a very convincing argument in principle. Unfortunately, it is the kind of remedy we like to prescribe for ourselves but never quite have the courage to take.

It can be said also that the argument over wage controls is academic, because the controls have not affected the wage level materially and so removal of controls would make little differ-

ence. I have even heard it argued rather plausibly that the effect of the Wage Stabilization Board's operation has been to raise the wage level rather than to lower it. On the other hand, I think one can maintain that the Wage Stabilization procedures have introduced some lag into wage adjustments. We may be getting a larger wage increase in steel than we would have gotten if we had had no Wage Stabilization Board, but we are getting it later. We are getting it in April instead of November. In matters of economic stabilization, about all one ever does is to fight a delaying action. Five months gained is that much to the good.

Whatever the Wage Stabilization Board may have done to the general wage level, I think it has probably held back wage rates in particular bottleneck occupations and industries. There have been some occupations which have been under great pressure in the last couple of years, with a large excess of demand over supply of labor, and in which wage rates might have spiraled rapidly if there had been no control machinery in existence.

On the whole, therefore, I am not convinced that we should abandon direct controls at this time. Suppose that the international situations should suddenly take a turn for the worse. Suppose that, even without this, the inflationary pressures should be resumed because of a high level of private demand combined with a rising federal deficit. Suppose Congress declines to back strong monetary and fiscal policies.

It strikes me as imprudent to toss controls completely out the window until the economic and political future is clearer than it is at the present time. If we scrapped the control machinery and found a few months later that we needed it after all, it could be quite embarrassing, because it takes six to twelve months to create an effective administrative apparatus for this purpose. On the whole, therefore, I think I would favor keeping some administrative framework for wage and price controls, even if largely on a stand-by basis.

The next question, I suppose, is what we want this apparatus to do for us. How much can it actually do to hold back the general advance of wages and prices?

I think that one should not exaggerate what can be done in this respect. As long as there is an excess of money demand in

the economy, resulting from budget deficit, easy credit, and so on, there is going to be an upward trend of wages and prices. But I think one still can do something to fight a delaying action and reduce the rate of inflation.

Let me illustrate what I mean by a delaying action. If the packing-house workers, or any group of workers, see the cost of living rising, you can be reasonably sure that wages will eventually be raised enough to catch up. This will happen with a union or without a union, with wage controls or without wage controls. But the critical question is, how fast will wages adjust to a rise in living costs?

If wages rise after a delay of six months, this is better from a stabilization standpoint than if they rise after three months. If they rise only once a year, this is still better. This means that you are getting cost absorption by workers for a limited period of time. It is uncomfortable for them, but it does slow down the pace of an inflationary movement.

This principle should, of course, be applied in both directions. If you apply it to workers you should apply it to industry as well. After the workers in an industry get a wage increase this normally gives rise in time to a price increase. But the phrase "in time" is important. If the price adjustment can be held back long enough so that you get some cost absorption by the industry for, say, six months or so on each round, this is very helpful from a stabilization standpoint.

Given an underlying excess of money demand, you are going to have price increases which produce wage increases, which in turn produce price increases, and so on; but if you can stretch out the length of time between successive rounds of wage and price increases, you may be able to produce a rather gradual spiral instead of a very steep spiral. This is what I mean by fighting a delaying action, and this has to be the basic strategy of any wage- and price-control program.

This carries two morals for wage policy over the next year or so. First, I believe we should require a reasonable delay in the adjustment of wages to changes in living costs. Wages must adjust in time, but I would hate to see them do it every month. I am a little worried about them doing it every three months. It would be better to have adjustment every six months or even once a year.

Second, we should avoid overcompensating for cost of living increases. It is often argued that we should allow wages to rise each year by somewhat more than the cost of living has risen, in order to take account of increasing labor productivity.

This policy is quite reasonable under normal conditions. The argument for it is that rising productivity means a larger output each year of goods and services available for consumption. The simplest way to provide the extra purchasing power needed to buy this larger output is by raising money incomes.

This line of reasoning does not apply nearly so well to the present situation in which the output of consumer goods is likely to be stable or even slightly declining. Under these conditions, raising money wages rapidly by "improvement factors", productivity increases, and so on, will not actually raise workers' standards of living. It will push up the price level at a faster rate than would occur otherwise.

I would favor holding back most wage rates to the pace at which living costs rise, and I would try to see that cost of living adjustments do not occur too frequently. That may sound like a harsh policy. I know that some of my union friends would take strong objection to it, and I would be prepared to argue, if I had time, for an equally tough policy to apply to farm incomes, industrial profits, and other sectors of the economy. If one really means stabilization one has to apply it on an equitable basis right across the board.

Now just a word about the mechanics of wage controls. If we are to continue to have direct controls, we should give serious thought to the best procedures for formulating and administering public policy with respect to wages. The present procedures are far from ideal, and we should try to be inventive in improving them.

Consider the contrast in our methods of handling prices and wages. In the case of price controls we have certain general standards worked out by the price administration officials, and in some cases specified by Congress, as to whether a proposed price increase should be allowed. The standards may be right or wrong, but at least they are general; they do not shift with the particular case in question. Moreover, the task of applying these rules to particular cases is carried out by full-time federal officials owing their direct allegiance to the public interest.

Our wage policy, on the other hand, has tended to be decided, not on the basis of general economic standards, but as a by-product of settling particular disputes between labor and management—most recently, the great dispute in steel. Moreover, the settlement is worked out by a tripartite board, including an equal number of labor, management, and public representatives.

I do not believe there is any inherent necessity that the decisions of such a body must be made by majority vote. I can conceive of the public members simply issuing their own findings, from which both the union and management members might dissent. The custom has developed, however, possibly as a carry-over from private arbitration, of trying to get out a majority report. This means that the public members end up by making concessions to one side or the other in order to get a majority decision.

The award in the recent steel case was not necessarily what the public members would have preferred to do if acting by themselves. Indeed, I would venture to bet that the Board report was definitely not what the public members would have done of their own accord. It represented the lowest increase which they could persuade the labor members to accept and still get the labor members to sign the report. Given a slightly different situation, it might have turned out to be the largest increase which the industry members would concede and still sign the report. In neither event would it necessarily be the right solution in terms of the public interest.

Wage determination, since it is tied up with the determination of other terms of employment and with the whole process of union-management negotiation, may be so drastically different from price determination that an entirely different procedure is appropriate. I am not entirely convinced, however, that this is the case. I would like to see an effort to separate the process of working out general standards for wage policies from the process of mediating or adjudicating particular disputes. Could one not have general criteria for permissible wage increases worked out solely by public officials? It might still be desirable to have a tripartite board to adjust disputes in essential industries, and this board might continue to have the function of applying general standards of wage policy to the facts of individual cases. But should not the standards them-

selves, the rules of the wage game, be worked out by men who are responsible only to the public, and who are above the smoke and thunder of particular disputes? There may be practical difficulties in the way of this suggestion, but I would like at least to see some thought and experimentation in this direction.

Now just a word about the second major problem which I indicated at the beginning. Over the long pull, I think our greatest unresolved problem is to develop ways of adjudicating issues in dispute between labor and management when the community is unwilling to bear the cost of a strike.

A strike is not purely a negative thing. It has the constructive function of bringing about a settlement of the issues in dispute. War has been defined as a continuation of diplomacy by other means. By the same token, a strike is a continuation of bargaining by other means. As the strike goes on, the parties review their positions and decide that possibly it might be cheaper to settle than to put up with a longer strike, until in the end a settlement is reached. This is not necessarily the *best* way of reaching a settlement, but it is a completely certain way. It will work if you are willing to wait long enough.

There are certain types of industry, however, in which the cost to the community is so heavy that a strike cannot be allowed to continue for any length of time. This is true of railway transportation, public utilities, local transportation in large cities, essential municipal services, delivery of perishable food-stuffs, and so on. In time of national emergency, we extend the list of essential industries to include a large segment of the economy. The basic raw materials industries, the whole gamut of heavy industry, industries producing war materials, and so on, are included.

While we maintain the legal principle of a right to strike in such industries, this right cannot actually be exercised for any length of time. If a strike is actually threatened, steps have to be taken to prevent it or bring it to an end very rapidly. As far as we have developed any general technique for dealing with such situations, it is a technique of stalling, of postponing the evil day. We have a mediation service, which sits down with the parties on occasion and tries to coax them into agreement. Under the Railway Labor Act we have a provision for an Emergency Board of Inquiry, and for a sixty-day period during

which neither party may take any aggressive action in the dispute. Under the Taft-Hartley Act, the government may under certain conditions obtain an injunction against a strike for a period of eighty days. In the recent steel dispute, the strike deadline was postponed several times on a hand-to-mouth basis by special request of the government.

This technique of wearing down the parties by spinning out the negotiations seems to be working less and less well as time goes on. Union and management negotiators are getting too sophisticated. They realize now that they do not really have to settle their own dispute, that the government will eventually settle it for them. They tend to just sit out the waiting period, make no basic change in their initial positions, doing no real negotiating, spending most of their energies maneuvering to improve their position before public opinion and governmental agencies.

Eventually, then, the period of stalling runs out and one comes up against a real strike deadline. Now, what can the government do? During World War II we got into the habit of having the federal government take possession of the plant or the industry in question. That habit seems to be continuing since the war. I submit that this is a thoroughly deplorable habit from which we should free ourselves as rapidly as possible. I am not a constitutional lawyer, and know nothing about the legal status of the seizure procedure. Quite apart from the legal issue, however, I submit that this is a poor way of determining conditions of employment.

Note that seizure by itself does not settle the basic issues. It puts an end to the possibility of a strike, but it also puts an end to bargaining between the parties. There is then a natural temptation to settle the issues in dispute through a decree issued by the government as nominal operator of the industry. If the terms imposed by the government are basically repugnant to one side or the other, however, it may be extremely difficult to find a way to get the industry back into private hands. You will recall that the railroads have been under government operation for the past two or three years for precisely this reason. The government took over the industry to prevent a strike, laid down certain terms which were not acceptable to one of the two parties, and, therefore, it has been impossible to turn it back

to private operation. The seizure procedure really deals a body blow to collective bargaining, not just in the industries immediately affected but throughout the economy. Surely we should be able to develop something better than this "meat-axe" technique for dealing with critical strike situations.

I have no watertight plan to commend to you this morning. One possibility, which I believe was suggested originally by Sumner Slichter, would be to require private arbitration of disputes when all other methods have failed. The parties might be required to submit unsettled disputes to an arbitrator chosen either by themselves or, if they cannot agree, by the head of the Federal Mediation Service or some other public official. It might be required that both parties accept the terms of the arbitration for at least a six-month period. I am talking here only about so-called essential industries, not about collective bargaining generally. I am suggesting this might be a useful thing to do in cases where you know in advance that a strike cannot actually be allowed to occur.

There is little doubt that such a policy could be enforced by the method of injunction, followed if necessary by prosecution for contempt of court, and this could be made effective against both the companies and the unions. Workers could not be prevented from leaving their jobs, but it could be provided that by so doing they terminate their employment with the company and lose all pension, seniority and other rights. These penalties would be sufficiently severe that union leaders would be hesitant about setting a strike in motion, and a strike which did occur could scarcely succeed.

There are doubtless other possible procedures which might be preferable to this one. I am not concerned with urging a specific plan of action. I am concerned that we should not drift quietly into government determination of major conditions of employment in so-called essential industries. I think the ingenuity of lawyers, economists and others has not been seriously tested, let alone exhausted. With sufficient effort, supported by an informed public opinion, we may be able to make the rule of law prevail in this area as we have in so many others.

REMARKS

CHAIRMAN HAIG: I am sure we are all grateful to Professor Reynolds for his very interesting presentation.

At Columbia University we are proud of being able to produce what might be described as an exportable surplus. It has been suggested that those of our faculty who become too liberal find themselves in Washington, and that those who find themselves too conservative find themselves in Wall Street.

On our program this evening we have listed, as presiding officer, Randolph Burgess. There is nothing in his record given on the program to show that he is part of Columbia's exportable surplus, but if you will examine his history you will find concealed in his early incrustations a doctor's degree from our institution.

Similarly, there is nothing in the printed program with respect to the next speaker to indicate that he is a Professor of Law at Columbia University, a fact of which we, and I think he, are very proud. Strangely enough, he has proved himself sufficiently liberal to satisfy Washington and sufficiently conservative to satisfy Wall Street. He will speak on "How To Balance the Federal Budget". We shall listen with great interest to his exposition of budget and tax problems. Professor Magill!

PROFESSOR ROSWELL MAGILL: Professor Haig, Ladies and Gentlemen: This meeting this morning and the meeting this afternoon provide you the opportunity to make a number of interesting comparisons beyond the one that Professor Haig has suggested. You can judge for yourselves whether each of my colleagues here, as well as I myself, is a liberal or a conservative. Do we actually have to be either one as Gilbert and Sullivan thought?

You will also, I think, be able to make another and more interesting comparison between the election issues, as the Academy of Political Science and its academic cohorts deem they exist, and the analysis and dissection that we will try to make for you; and the election issues which in a few months you will hear publicly discussed.

I presume the serious purpose of this program is to attempt to give you a basis on which to judge the election issues that you hear discussed. I venture to say, however, that the discussion which you have heard from Professor Reynolds and which you will hear from me is apt to be quite different from what you will hear on the public

platforms. I think there will be a pretty clear demonstration this morning, and I think there will be a demonstration in the next few months, that none of us here this morning is running for the presidency nor can we well run for president; that the statements of our views on labor policies and on the budget, and so on, have to be formulated in some other way in order to be attractive to the great numbers of the electorate who must vote.

To take another aspect of Professor Haig's charming introduction, I am about to put you in the position of the civil servant who was guaranteed to be dead.

I think the point of Professor Haig's reminiscence was that the fellow had been dead all his life and he was still dead.

You will be able to relax calmly and go to sleep, because unlike my predecessor I am going to read you a document. The reason I am going to read it to you is that since I am dealing with billions of dollars I ought to be at least moderately accurate. The President of the United States has not found it necessary to be, but I think in these halls it is desirable that one should try to be.

Reading a document, which I will try to do as painlessly as possible, does have this advantage, that in a stated period of time you can be very sure that you will be done with me and on to the next [laughter], and that will undoubtedly give you as much satisfaction as it will me.

Well, here we go, on how to balance the federal budget.

HOW TO BALANCE THE FEDERAL BUDGET

ROSWELL MAGILL

Partner, Cravath, Swaine and Moore
Member, Board of Directors, Academy of Political Science

THE government—and that means the increasing host of employees and bureau chiefs and department heads in Washington—has taken over the spending of a quarter, a half, or even three quarters of the money we earn. Congress and plain people alike are pretty strongly resolved not to provide any more tax money for the government to spend. Taxes are high enough. Indeed they may be too high for the good of the economy.

One of my old professors used to tell us that there is no liberty without private property. It is a man's private property, his accumulations, that give him the chance to choose his course of action. Without property he becomes a dependent—of his relatives or of the government. He is not a free man without private property.

The increasing encroachment of federal income taxes on earnings, the steady elimination of the possibility of savings compels us to ask: How can we regain this particular liberty? How can we restore to our children the chance we once had to spend or to save our own earnings as we individually thought best?

These are questions for every American. When we try to answer them, you and I are confronted with the general proposition that the government itself has lost control over federal spending. What can we do about that? To those points I shall address myself.

I

We have to start with the general outlines of the federal budget. The President proposed in his January budget message that Congress authorize budgetary expenditures of 85 billion, 444 million dollars next fiscal year, from July 1, 1952 to June 30, 1953. That figure is \$14.5 billion *more* than estimated ex-

penditures for the current fiscal year. It exceeds by over \$50 billion what we spent ten years ago in 1942. It is 18 times what the federal government spent twenty years ago, in 1932. It is only \$13 billions less than we spent in 1945 at the peak of World War II. It is four and one-half times what we spent in 1919, the peak of World War I.

Granted that dollars are not worth what they used to be, the figures we are dealing with are tremendous in any language. That is one of the troubles with federal budgetary control. The figures are so enormous, so far beyond our individual experiences, that they don't trouble us as much as they should. They fall in the same category as such other statements in billions as the number of light years from here to Orion's belt; or the age of the earth. They don't really mean anything to us; we want to leave them to the specialists. We are much more interested in something that is pleasant and that we can see, like our six-months-old granddaughter or a good ball game.

Not many years ago, when I was in Washington, many wise men thought the heavens would fall if the federal debt ever got beyond \$50 billion. It is now \$257 billion and we are still doing business at the old stand. Some people think that an \$85 billion budget is all right. This is a big country. We ought to spend a lot of money. Who is right?

II

If we authorize the federal government to spend a lot of money, then you and I are going to have to put it up. That is the worm in the apple. We must either put it up in current taxes, by turning a great part of our incomes over to the federal government to spend for us on projects that *it* chooses and we do not; or we must pay most of it that way, and add the balance to the federal debt. Those are the only alternatives.

The latter, deficit financing, is not an attractive alternative. Yet in substance it is the alternative the President proposed in his budget message last January—a \$14.5 billion deficit (three times the whole federal budget twenty years ago) to be met about one-third by new taxes, and about two-thirds by piling \$10 billions more debt on what we already have. If we adopt that plan, the Treasury will have to print bonds or bills to meet the deficit. We did that in World War II, and the resulting

inflation during the past ten years has cut the value of the dollar in half. That inflation, then, has been in substance a flat 50 per cent tax on savings, on fixed incomes, on purchases—a very high tax that we would never countenance under its right name.

Nevertheless it is pretty clear that Congress is not going to adopt new taxes to pay for the two anticipated deficits, for the current fiscal year and the next fiscal year, although those two deficits may very well total more than \$20 billion. (It is not easy to compute the total, for governmental estimates of late, both of receipts and of expenditures, have been notoriously wrong.)

Why not? Because Congress is better aware than anyone else that taxpayers will not stand for any more taxes. Taxes have crept and then jumped far too high. It is not merely that we are being compelled to pay in total taxes over 30 per cent of the national income, much more than statistical and economic experts have determined to be endurable. It is not merely that to balance the President's expenditure proposals, there would have to be added to present taxes a 100 per cent tax on all taxable income over \$4,000, and that is inconceivable.

We are finding out, individually, that taxes have gone way beyond the point of being merely an annoying item in our individual budgets. They have become so great an item that we must struggle and plan and even go into debt to pay them. We must deprive ourselves of things we would like to buy, things that make life worth living, things that would be a fair exercise of our native liberty to use our earnings as we see fit. So we do not want to pay any more taxes. Taxes are high enough, and we will defeat any Congressman who says they are not and votes for more.

III

Can we get more tax money, not by raising rates on everybody, but by closing "loopholes"? The C.I.O. thinks we can, and so does Senator Humphrey. That war cry to close loopholes has echoed across the land for twenty years, and you would suppose that, unless Congress is unbelievably stupid, it would have the loopholes closed by this time.

The fact is, the loopholes have been pretty well closed. Sen-

ator Humphrey and the C.I.O. are using the word "loopholes" in a brand new sense, to include all provisions designed to make the tax law equitable and bearable. In the sense in which the C.I.O. and Senator Humphrey use the word, the individual exemption of \$600 is a great loophole. If no exemptions were allowed, if everyone were taxable on his first dollar of income, billions more in income tax revenues would be owed to the United States. The same result would follow the elimination of some or all deductions. Yet few of us regard exemptions and deductions as "loopholes"; nor would we recommend their elimination or reduction in order to produce more tax revenue.

The first recommendation recently advanced by Senator Humphrey and seconded by the C.I.O. is to abolish the present so-called "split-income" provision, whereby a husband and wife may report their total incomes on a joint return.¹ Instead the C.I.O. and Senator Humphrey want to require each spouse to report his income separately. They recommend that, at the same time, the statute abolish the right of spouses in community property cases to divide community incomes between themselves in accordance with the local property law; that the statute provide instead that the spouse who earns the income must report it all for federal taxation.

There are numerous decisions of the Supreme Court which have held such a plan of taxation unconstitutional, so far as community property states are concerned.² A few years ago, many states were adopting community property laws of curious and diverse kinds, in order to secure the tax benefits enjoyed by residents of the original community property states. These laws seemed about to produce great confusion in the law of property as well as in the law of taxation. In this state of affairs, a former tax legislative counsel of the Treasury Department, now a professor at Harvard, proposed that, since taxing statutes doing away with the effects of community property were unconstitutional, the way to achieve equity in taxing

¹ Secs. 51, 12 (d), Internal Revenue Code.

² See the line of cases headed by *Poe v. Seaborn*, 282 U. S. 101 (1930); Oliver, "Community Property and the Taxation of Family Income", 20 *Texas L. Rev.* 532 (1942).

husbands and wives with like incomes would be to permit the total incomes of the two spouses to be split in *all* states, not merely in the community property states; and thus all would be taxed exactly alike. That proposal was adopted by Congress in 1948 and is still in effect.

The present method of taxing husbands and wives is primarily the product of a desire, shared by Congressmen from all the states, to provide for equal and fair taxation for spouses wherever they may live. If the C.I.O. plan now advocated were adopted, costly litigation by residents of community property states, at least, would at once be fomented; and if the Supreme Court adhered to its past decisions, the legislation would finally be held invalid. In that case, the old inequity between the taxation of husbands and wives with like incomes resident, say, in Texas and New York, respectively, would be restored. Presumably, the legislatures in all the noncommunity property states would again strive to eliminate the inequity, by instituting community property or some variation of it, thereby unsettling property interests and titles for years. All this inequity and confusion would be caused by repealing a provision in the tax law which does justice, and works fairly; the repeal of which would yield the Treasury only \$2½ or \$3 billion, even at present very high rates.

How can anyone pride himself on closing a loophole, when what he proposes is to repeal a provision which has worked fairly for years—in order to stir up a hornet's nest of litigation and state legislation?

The second recommendation of Senator Humphrey is to repeal the percentage depletion provisions. The depletion deduction is designed to restore to the seller in installments the cost of the minerals and oil and timber that he has sold. To compute the exact depletion this year of an oil well, containing an unknown number of barrels of oil, is obviously impossible. The percentage method of computing the deduction allows a percentage of gross income to be deducted, subject to a series of limitations. The method and the percentage have been in the law for many years. No one contends that the deduction so computed is or can be a perfectly accurate computation of the cost of the minerals produced and sold. The allowance may represent in part a deduction for other costs an oil company pays for ex-

ploration and development, that cannot be met out of gross income, such as, for example, the costs of dry holes.

The percentage depletion provision, like any other deduction provision is open to study and improvement. So far, Congress has thought that the needs of the country required extensions of its scope rather than restrictions. In any event, Senator Humphrey knows that a deduction of some sort for the cost of goods is essential in an income tax act; and hence there must always be a deduction for depletion, unless the tax is to be converted into one on gross receipts or gross income. It is more than doubtful that more revenue would be produced by the conversion. It is clear that the business wheels of the country would be slowed down, leaving much reduced income to be taxed.

Senator Humphrey's other "loopholes" are of a similar nature. His proposal for a 20 per cent withholding tax on dividends and interest, besides being unnecessary in view of present provisions in the law whereby the Treasury may require information returns listing such dividends,³ would be most unjust to the smaller taxpayer. An eventual refund is little satisfaction to the taxpayer who needs the current dividends as a source of current income.

Senator Humphrey approaches estate and gift taxes as if there were none on the books now. Actually, federal estate taxes run to 77 per cent and gift taxes are 75 per cent of estate taxes. All the states except Nevada employ this source of revenue. The assertion that "Congress did not see fit to look into the estate and gift tax" is rubbish. Congress has looked at and amended these taxes again and again. For the present, it has decided not to increase estate and gift tax rates further, knowing that such increases on top of extremely high income tax rates would produce little more revenue, and would have dangerous effects on the economy.

The same reasoning applies to an increase in the capital gains tax, another of the Senator's "loopholes". Few tax changes would be likely to have a more depressing effect on investments in enterprise, especially new enterprise, than an increased capital gains tax. Since capital gains are nonrecurring and since the taxpayer may realize them or not as he sees fit, they are not like

³ Sec. 148, Internal Revenue Code.

other income. Within limits, the taxpayer can sell his property or not as he sees fit. If the tax is too high, he will not sell, and the Treasury loses the tax. Worse still, if the potential taxpayer concludes that he will be locked in that new risky enterprise, he will be very likely to keep his money and not risk it.

The final "loophole" is a provision in the Revenue Act of 1951 recognizing that a family partnership may be just as good a partnership as any other. The Senator apparently has completely lost sight of the fact that this provision was adopted by Congress not as a favor to industry but to set at rest a long-standing controversy. The provision recognizes the tax validity of family partnerships where their legal validity is clear. The Treasury has sometimes attempted to ignore legal validity, in favor of tests that are neither certain nor fair. The new provision seeks to end a tax controversy, and to make the law more definite. Not much revenue is involved either way. None of the alleged loopholes, with the exception of the split-income provision, has a material effect on the revenues. The solution of our fiscal crisis will come from more fundamental changes, from a direct and intelligent exercise of fiscal control.

IV

If there are no loopholes of importance to close; if the people of the country will vote against more taxes; if deficit financing is a bad thing, leading to destructive inflation—how in the world can we balance the federal budget? Only by cutting expenditures, a very unpopular and a very difficult process.

Yet reducing expenditures is by no means an impossible job. Senator Byrd has published this year, as he has in several years past, specific tables showing how \$8.6 billion could be cut out of expenditures with no damage to military activities or the nation's economy. Other members of Congress have proposed even more drastic cuts. Although the Senate Appropriations Committee has been slow to act, there is a good chance of important reductions in expenditures this year. Newspapers carry stories every day of ludicrous waste in this department or in that; of proposed expenditures, many of them not even in this country, which are extravagant beyond any necessity we know of. A sufficiently determined Congress can lop an eighth or a tenth off of such a budget.

There are two great difficulties. First, vested interests in expenditures are firmly established. All of the money spent is good for somebody, and he and his friends are in there fighting for the appropriation. The sponsoring federal departments, with all their employees and supporters in and out of Washington, are bound to know more about their proposed expenditures than anyone else; and they will always defend their proposals rationally and vociferously. Someone's constituent is going to be hurt by any cut.

Second, nearly two thirds of proposed budget expenditures are authorized by legislation now on the books. Those expenditures are not subject to annual Congressional control. A breakdown of the total shows that, out of the President's budget of \$85.4 billion, only about \$29 billion is clearly subject to annual Congressional review and control.

The biggest part of the uncontrollable area is \$42.6 billion of expenditures from obligational authority of prior years. Expenditures under permanent and indefinite authorizations add another \$7.8 billion. Expenditures under "open-end" aid programs add a sizable \$4.5 billion. Contributions to trust funds, payments of claims, and payments required by international agreements add another billion dollars. All these uncontrollable expenditures total \$56.6 billion.

In contrast, the relatively controllable expenditures consist of \$23.5 billion of military and international expenditures, and a slim \$5.3 billion of other domestic spending.

Congress must regain annual control over these expenditures, in order to regain the control over taxes that is ordained by the Constitution. Congress can do this only by adopting a clean-slate approach. This means, first, that Congress should suspend all spending authorizations, except for essential military items and interest on the debt, pending a strict review in terms of what is essential in a defense economy. Government operations would not stop while Congress evaluates programs and procedures. Such a review could be made, for example, during fiscal 1952 for application in fiscal 1953, or in fiscal 1953 for application in fiscal 1954. Once the desired review of spending is completed, Congress should direct the Budget Bureau to present a budget which actually falls within expected revenues.

Second, great help in the restoration of Congressional control over federal spending would be provided by the McClellan bill, recently passed by the Senate but headed for a stiff fight in the House. The McClellan bill (S.913) would establish a Joint Committee on the Budget to help the legislative branch in somewhat the same manner that the Budget Bureau helps the President.

The problem of Congressional control of expenditures is receiving increased attention through other measures, such as Senator Byrd's proposal for a single appropriation bill and Senator Lodge's proposal for a "watchdog committee" to keep track of military appropriations and spending.

Third, it would be a good general rule that the President should be required to present each year a budget in which the estimated expenditures are no greater than the estimated receipts. Congressman Coudert has made that proposal this year in a joint resolution. It is an excellent idea and it ought to be done year after year. If the President thinks more expenditures are essential to the nation's welfare, let him present then a supplemental budget, along with his specific recommendations of taxes to pay for them. Then Congress has a realistic program to work on, not the present accumulation of vote-catching spending proposals that have no necessary relation to our ability or our willingness to pay for them. Congress should not be given the impossible job it has at present, of trying to save billions out of a budget that is an adroit mixture of items that cannot be cut and a myriad of items that certainly could be cut if their proponents and the executive were willing to exercise ordinary thrift and prudence.

These are hard problems and it is all too easy for an individual citizen to pass them up as beyond his competence. But somehow a majority of us must face up to them if America is to win out in the current fiscal showdown; if individual Americans are to regain the right to spend most of their earnings as they please.

To maintain our position in the world, this nation must produce more goods than we have ever produced before, for we must meet defense needs on top of our expanding civilian economy. We can do this only if we do not throttle our productive

machine by taxes or otherwise. We must maintain the value of the dollar. We can accomplish all these things if we can bring the federal budget under control and eliminate excessive government spending. That means that we must show the same intelligence and determination in political science that we have already shown in pure science and industrial management. This election year is a fine time to make a start.

REMARKS BY THE CHAIRMAN

CHAIRMAN HAIG: I hope that the movement toward the door does not mean that Professor Magill will not be available at the close of the fourth paper to answer questions which may have arisen in the minds of some with respect to some of his assertions. As a matter of fact, I can think of three or four questions which I should be very glad indeed to hear discussed, and I hope he will not deprive us of the opportunity to do so in our five-minute discussion period.

However, our program at this juncture calls for the continued orderly presentation of the issues, the third of which has to do with "Technical and Economic Assistance under Point Four".

One of these items of expenditure presents a very interesting puzzle indeed, particularly to us uninitiated citizens, and to secure light on this part of the field we have sought the aid of Mr. Eugene Staley, who is Senior Economist for the Stanford Research Institute and Research Associate of the Council on Foreign Relations. Mr. Staley!

TECHNICAL AND ECONOMIC ASSISTANCE UNDER POINT FOUR

EUGENE STALEY

Senior Economist, Stanford Research Institute, Stanford, California
Research Associate, the Council on Foreign Relations, New York City

IN 1679 the French statesman Colbert learned that the Spanish Ambassador had hired four master silk makers and a number of workers to go from France to Spain to establish a silk manufacture. Colbert thereupon ordered an official at Rouen to clap the would-be emigrants in jail, to "provide scantily for their nourishment," and especially to keep the masters in jail a long time, "so as to prevent other Frenchmen from taking the same road and transporting manufacture out of the kingdom."¹

In 1949 the President of the United States in an inaugural address called for "a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." In 1950 the Congress passed an "Act for International Development", in which it was declared to be the policy of the United States "to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital. . . ."

Viewed in historical perspective this is a remarkable policy. It has not been usual for governments of nations in a position of technological leadership to go out of their way to spread their technical knowledge and skills abroad. The attitude of Colbert has probably been more common. Is the United States thoroughly committed to a policy of technical and economic assistance in order to encourage the development of underdeveloped areas? Is such a policy solidly rooted in the national

¹ Charles Woolsey Cole, *Colbert and a Century of French Mercantilism* (New York, 1939), vol. II, pp. 140-141.

interest of this country? Is it likely to be a lasting policy of the United States government and people, rather than just a policy of the Truman Administration? To all these questions my answer is "Yes", for reasons to be developed.

Since the general topic of this session is "The Election Issues of 1952" let us look first at certain immediate political aspects of the Point Four policy. To what extent is it likely to figure as a 1952 campaign issue? Will the next administration, should it be Republican, scrap the Point Four Program or handle it very differently from a Democratic administration? These are matters of considerable interest not only to Americans concerned with foreign policy but to people all over the world.

I have brought my crystal ball, but it really is not necessary to gaze very hard to come up with this first answer: The Democrats, no matter whom they nominate, will point with pride to the Point Four Program. They will have a right to do so. Point Four is a great idea which, if we don't fumble it, can help us more effectively than any other doctrine of recent times to get the kind of world we would like to live in. The concept of Point Four and the way in which the initial stages in its execution have been carried out will give the Truman Administration one star in its crown, at any rate, when it ascends into the heaven of history.

More to the point in an election year, will Point Four win votes? According to the evidence I have been able to observe, the American people are overwhelmingly in sympathy with the aims and methods of the program when they learn about them. Most of the important opinion-forming groups are for it—organized labor, the National Association of Manufacturers, church groups, farm organizations, and the various groups that especially concern themselves with international problems. Public opinion polls indicate that American voters in general approve the Point Four idea—decisively among those who have heard of it, less decisively among those who have not previously heard of it. One such survey in 1951 found that 32 per cent had heard of the Point Four Program and 68 per cent had not. Of those who *had*, 62 per cent favored it, 25 per cent opposed, and 13 per cent did not know. Of those who *had not* previously heard of it, 41 per cent favored it when the interviewer

explained, 33 per cent opposed, and 26 per cent did not know. The best-educated people and the well-to-do are strongest for Point Four. Thus, 68 per cent of those who went to college thought the plan worth while, but only 33 per cent of those who had not gone beyond the eighth grade. Sixty per cent of the upper-middle-income group favored Point Four, but only 39 per cent of the lowest-income group. Sixty-six per cent of the professional people were for it, but only 39 per cent of the farmers. There were, of course, many more "don't knows" among the less-educated, lower-income groups and the farmers. The great factor, it would seem, is amount of information on world affairs.²

To return to the coming campaign, will the Democrats be able to harvest a substantial number of votes by informing the people on Point Four and related international issues? This depends on what the Republicans do.

The Republican position will be determined by the outcome of the struggle between the internationalist wing, supporting General Eisenhower, and the neo-isolationist wing, supporting Senator Taft. The Republican position, if the first group wins, will undoubtedly be "The idea is a good one, but we can administer it better." If the second group wins and Senator Taft is nominated, the Republican position would be equivocal or hostile.

In the first case the desirability of the Point Four policy would not be an election issue, and a Republican administration if elected would probably continue the program with vigor. After all, Paul G. Hoffman is one of the leaders of this wing of the Republican party; as head of ECA he helped to get important aspects of the Point Four Program under way, for example in Southeast Asia; as head of the Ford Foundation he has recently launched projects in India and the Middle East which are designed to supplement and extend Point Four principles.

In the second case—that is, if Taft were nominated—the Republican platform would probably have some favorable-sounding phrases for the enticement of voters who believe in Point Four and free world.coöperation generally, balanced by

² Elmo Roper, CBS Radio Network, "Where the People Stand", November 25, 1951.

statements on the other side such as the idea that we must not weaken our own economy by giving away too much to foreigners. Senator Taft as a candidate, however, would be known by his record to be thoroughly unsympathetic to the whole trend of thinking which has produced Point Four as well as to the Point Four program concretely.

Of course, we could expect party regularity to produce some statements from prominent internationalist Republicans like the manifesto in 1920 which advised League of Nations supporters that the real way to advance their cause was to elect Warren G. Harding. And I am inclined to think that a Taft administration, if elected, would be forced by the realities of America's international position and the pressure of Communist subversion in underdeveloped areas to continue Point Four operations to some extent. But the execution would be grudging and half-hearted, it would be fraught with narrow standpatism on burning social issues in underdeveloped areas, and it would carry much of the odor of traditional imperialism (the thought-patterns of a basically isolationist mind being much more compatible with those of imperialism—see the *Chicago Tribune*—than with those of genuine mutuality in international coöperation). Point Four so applied would probably do us more damage than good, for it would play right into the hands of the Communist propagandists in underdeveloped areas.

However, my crystal ball says that if Senator Taft should be the nominee of the Republican party the Republicans would go down to defeat again in 1952. The campaign would produce a great debate on the whole posture of the United States in world affairs—our military, political and economic strategy in Europe, in the underdeveloped areas, in relation to the United Nations, and the best ways to counteract communism. Point Four would be only one segment of these broad, interrelated issues. The Democrats would make an effective attack on Senator Taft's voting record on international matters, and my guess is that the result would be to swing the independent voters decisively into the Democratic camp. Senator Taft's campaign problem, as far as international issues are concerned, would be to keep the voters ignorant or confused; for, as the public

opinion survey cited above suggests (and there is much more evidence to this general effect) the less well informed the voter, the more likely he is to take the attitudes on foreign affairs that Senator Taft takes. I doubt that he could succeed in the face of a strong Democratic campaign. This is 1952, not 1920. In the world situation of today the independent voter is vitally interested in international affairs. As between Eisenhower and a Democratic nominee the internationally-minded independent voter could relax and listen to the debate on administrative competence and domestic issues. As between Taft and a Democratic nominee, however, an internationally-minded independent voter not only would be anti-Taft, but would be rabidly anti-Taft. In thousands of cases men and women who are ordinarily "too busy" would feel so much was at stake that they would get actively into the campaign on the side of the Democrats; they would ring doorbells, fold circulars, and buttonhole friends.

Assuming that the Point Four policy will continue under an administration that believes in it—whether Democratic or internationalist Republican—let us turn to certain problems that will have to be faced by the administration, the Congress, and the people.

What, basically, are the national interests that we are trying to promote through the Point Four Program? After studying the pronouncement of our official spokesmen and the reasons given by opinion-forming groups, I would classify them this way:

1. Permanent political interests—trying to build the kind of world we would like to live in. We believe that America will be more secure and our own pursuit of happiness more effective in a more prosperous, more peaceful, and more friendly world, and we hope to encourage this through helping other people to help themselves.
2. Special political interests—strengthening the free world against Soviet imperialism. Since the Soviet threat is a combination of military force with internal subversion that plays on all kinds of discontents, we have to build up genuinely constructive methods of meeting the prob-

lems that cause discontent. Point Four figures in both the military and political strengthening.

3. Humanitarian interests—a fellow-feeling for other people which makes us want them to have better opportunities.
4. Economic interests—a belief that our own prosperity and the continuing advance of our living standards are better assured in an expanding world economy.

These are compelling interests. The Point Four policy is firmly rooted in a variety of national interests, not just one. It would be wrong to say that any one is "the" motive, or even that it is the most important. The question of relative importance among motives depends upon what groups in our citizenship we are talking about, whether we are thinking in short-run or long-run terms, and whether it is 1949 or 1952 or 1955.

It is clear, however, that our national purposes in offering technical and economic assistance for the development of underdeveloped countries are so broad that they will not automatically be accomplished *simply* by increasing the production of these countries. Whatever administration succeeds the Truman Administration is going to have to grapple with some basic and puzzling issues grouped around the problem: How should we handle our Point Four aid so as to have the best chance of really accomplishing the national purposes which lead us to offer it? In the first flush of enthusiasm for a great and statesmanlike conception, most of us have tended to gloss over hard questions that we must now begin to face. I select three points, out of many that might be chosen, on which leaders of public opinion, as well as Congress and the executive, need to deepen their thinking.

1. This is a long-range job. Economic development is not to be had by a wave of a magic wand. It cannot take place in countries like India or Egypt or Colombia without deep-going cultural changes that affect almost all the habits and accepted ways of life. This means disturbance, readjustment, relearning, education and technical training for millions. Not all the first results will be happy ones, and some of the most important good results will be a long time showing up. It will not be possible, as it was possible in the Marshall Plan for European recovery, to fix a term when the undertaking is to end. Will the American

people and their Congress be too much in a hurry for immediate results to support sound long-range programs? Will they lack patience and persistence? Will they scrap the whole effort when one or two experiments go sour? These are questions that will test our capacity to wear the mantle of leadership of the free world which, willy-nilly, has fallen on our shoulders.

2. Economic development in the narrow sense—that is, a substantial increase in the capacity of underdeveloped countries to produce—is a *necessary* but not a *sufficient* condition for achieving our objectives under Point Four.

On the economic side, it would not advance our purposes if a few privileged people got most of the new wealth and income from better farming methods and modern factories, while the level of living of the great majority rose hardly at all. Nor would we be any closer to the kind of world we want to live in if the effect of economic development was merely a rapid increase of population in already overpopulated countries—that is, more people surviving to struggle along at about the same old subsistence levels. Yet this is what may happen in large parts of southern and eastern Asia, in Egypt, and nearer home in Puerto Rico, unless birth control is adopted by these peoples *pari passu* with their importation of modern “death control”, as represented by more efficient food production, sanitation, and modern medicine.

On the political side, economic development with its greater capacity to produce all kinds of things, including weapons, means increased political power for somebody. Does it make any difference to us who wields this power? It would certainly seem so, if part of our aim is to help build a world in which genuine democracy can thrive and in which we and other nations can live in peace. Germany had a highly “successful” economic development in the late nineteenth and early twentieth centuries, yet was that development really successful in the broader sense of what we would like to accomplish by aiding economic development? Germany produced the régimes of Bismarck, the Kaiser, and Hitler, and precipitated two world wars. Japan might be taken as a model of rapid, efficient economic development in the narrow sense of more production. Yet it ran amok in the Far East, invaded China, and attacked us at Pearl Harbor.

The economic development of Soviet Russia, with its accent on heavy industry and armaments, has done relatively little to increase the consumption goods available to the Russian people but has been used as a tool to enhance the power of a totalitarian tyranny and to provide the base for a new imperialism that threatens the whole world.

Britain, which came first in economic development, acquired an empire. The United States went through a "manifest destiny" phase. Can one generalize to the effect that every large country which develops its economy thereby rises in the scale of power and almost automatically becomes expansive?

Now this may seem to suggest that we ought to prevent economic development, having enough trouble already in the world. That I think we cannot do, even if we wanted to. We could retard economic development and practically force the many countries that are now determined to develop to choose the totalitarian method. But modern methods of production would spread anyway, and they would be used to arm bitterly frustrated and resentful poor peoples against the rich nations, most of all the United States. We would all go down to blood-soaked poverty together.

Recognizing that economic development will, of course, disturb the political power balance, the wiser course is the one to which we are already committed: coöperation for economic development, *together with* coöperation for collective security and for the advancement of human freedom. Let me remind you that Point One of President Truman's inaugural address—does anyone remember?—was strengthen the United Nations, Point Two was aid economic recovery, and Point Three was strengthen the free world. Point Four without some of these other things could be a snare and a delusion.

3. "Stomach communism" is an oversimplification. It is a useful phrase to get across part of the truth about the way in which the abject poverty of many underdeveloped countries helps the Communists to organize the mass discontent by which they hope to seize power. But there are many other factors than lack of material goods which predispose people to communism. A crude economic interpretation of politics or history is almost always wrong. The Communists themselves do not act on the assumption that people are mainly interested in their

own material advancement. I have spent the last few weeks studying Communist writings which set the doctrines and strategy for Communist parties in underdeveloped countries; I have also examined the tactics of communism in such places as China, India, the Philippines and Iran. One impression stands out: the Communists themselves put great emphasis, I would say even their chief emphasis, on appeals which are not primarily directed to the material wants of man but rather to the human desire for status, equality, freedom from domination or oppression, especially domination by foreigners. The thing they talk about most where underdeveloped areas are concerned is conveyed by such constantly reiterated words as "imperialism", "imperialists", "colonial", "semicolonial". Of course, they also denounce local landlords, usurers, and any other groups against which mass discontent can be organized. But even the local targets are characteristically presented as tools—the favorite expressions are "lackeys" and "running dogs"—of foreign imperialists.

The significance of this for our policy problems is very great and is not yet well enough understood in this country. We must lean over backwards in all our dealings with underdeveloped countries and their peoples to show them respect, to treat them as equals, and to keep our technical and economic program in every way one of coöperation rather than imposition. This is a strong reason for undertaking as much as possible through multilateral organizations in which the underdeveloped countries participate—the United Nations and its specialized agencies. Where bilateral arrangements are necessary, we should try to mutualize them through joint commissions and similar devices. Also, this means we must put strong pressure on our European allies to work out a positive program for liquidation of all that remains of the colonial system—in Indo-China, Tunisia, and all through Africa—presumably by such devices as independence, dominion status, United Nations trusteeship, and United Nations administration. Then the new Soviet imperialism would stand out starkly for what it is.

REMARKS BY THE CHAIRMAN

CHAIRMAN HAIG: Thank you, Mr. Staley, for your interesting paper.

The last topic, "Public Debt Management", is to have certain adventitious aides in the way of pictures, and perhaps soft music. I think it will be necessary for the speakers to abandon their positions of prominence to allow this subject to be properly presented, but I promise you at least some of them will reappear for the question period.

Mr. Woodward!

PUBLIC DEBT MANAGEMENT

DONALD B. WOODWARD

Second Vice President, The Mutual Life Insurance
Company of New York

THE public debt must be discussed with the greatest respect. For one reason, it must be judged very nearly hallowed and sacrosanct, so diligently has it obeyed that injunction given to earthly things on both the fifth and sixth days of Creation: "Be fruitful, and multiply."¹ For another reason, the public debt makes each of us a debtor, and, the poet solemnly tells us:

"The time for payment comes, early or late,
No earthly debtor but accounts to Fate."²

And for yet a third reason, we should discuss the debt with respect: Alexander Hamilton has assured us that "A national debt, if it is not excessive, will be to us a national blessing"³—and some of the current-day pundits seem to go farther to suggest that the greater the debt the greater the blessing.

I shall try, respectfully, to make six main points with lowered lights and other aids, covering what seems most important about the creature.

Salient Features of What Is Called the Public Debt

First, let us look at some of the salient features of what is called the public debt, and how it has evolved in these regards since 1930. This will require about five minutes of fairly heavy statistical discussion, lightened by pictures, after which the going will be easier, I hope, for those less numerologically-minded.

Size: The total of what is called the public debt at the end of 1951 was \$260 billion. This was \$7 billion more than at the end of 1948 just before the last business recession, but \$18 billion lower than at the end of 1945. It was more than four

¹ Genesis 1:22 and 28.

² *The Widow in the Bye Street*, by John Masefield.

³ Letter to Robert Morris, April 30, 1781.

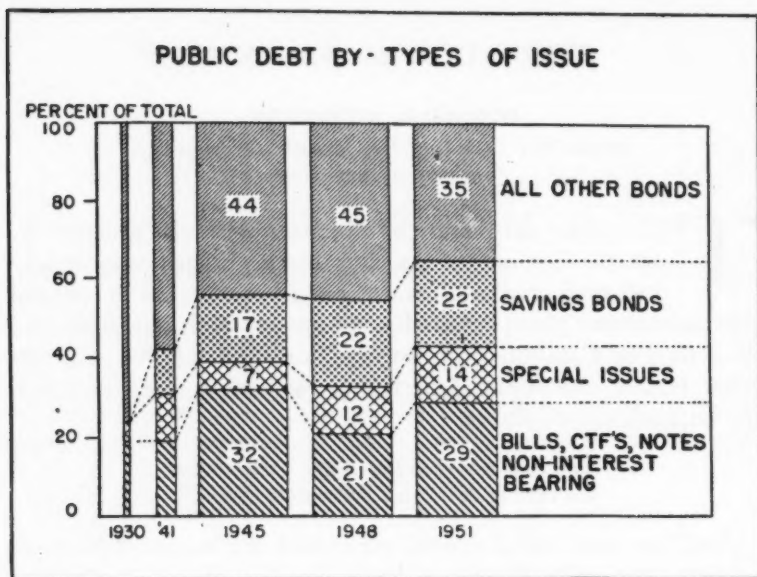


CHART 1

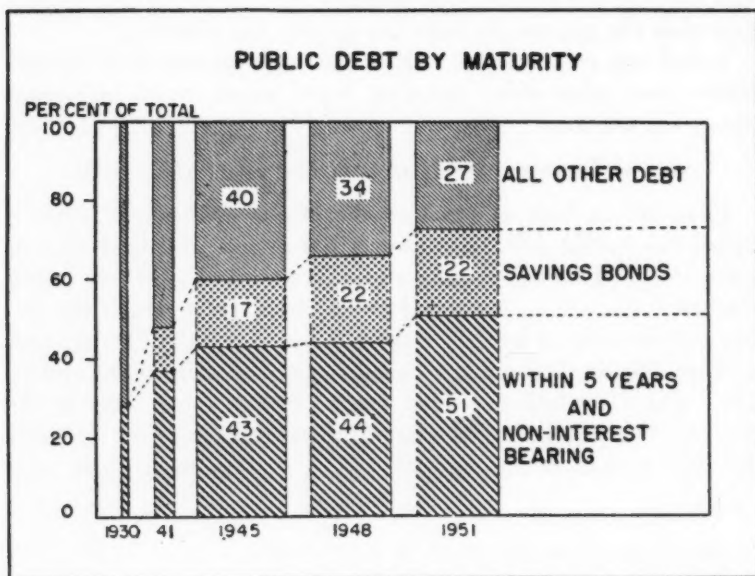


CHART 2

times the total at the opening of World War II, and sixteen times that at the end of 1930. Barring Treasury receipts and/or expenditures very different from what is now expected, this total will rise several billions during the next twenty-four months.

How is this large amount constituted? Have there been significant trends in the vast increase over the twenty-one years?

Types of Issues. Almost a third of the total at the end of 1951 was made up of bills, notes, certificates, and non-interest-bearing paper, and another third was made up of marketable bonds. The remaining third was made up of special issues and savings bonds, with the special issues making up about a seventh and the savings bonds about a fifth of the total. From 1930 to date there has been a declining tendency in the proportion of the debt that is marketable, and particularly in the proportion in marketable bonds, offset by a sizable rise in the proportion in the form of savings bonds and special issues. All this is shown in Chart 1, entitled "Public Debt by Type of Issue". This chart has been constructed to show the relative size of the total debt in the width of the bars, and the percentage distribution of the debt in the divisions of the bars.⁴

Let us look farther.

Maturity. Just over half of what is called the debt at the end of 1951 had a maturity within five years, and almost another quarter was savings bonds, which are payable on demand. The trend toward shorter and shorter term has been persistent: twenty-one years ago the Treasury could not be called on to meet about three quarters of the debt for more than five years; now it must be prepared to meet three quarters of the vastly larger total within five years. All these facts are shown on Chart 2, entitled "Public Debt by Maturity". This chart is constructed on the same plan as Chart 1: the width of the bars is proportional to size, with percentage distribution shown by divisions of the bars.

Ownership. Nearly half of what is called the public debt was at the end of 1951 held by commercial banks, Federal Reserve Banks, and United States government accounts, and more

⁴ For this and subsequent charts and much other aid in preparation of this paper, I am indebted to my colleague, Mr. Norman Miller.

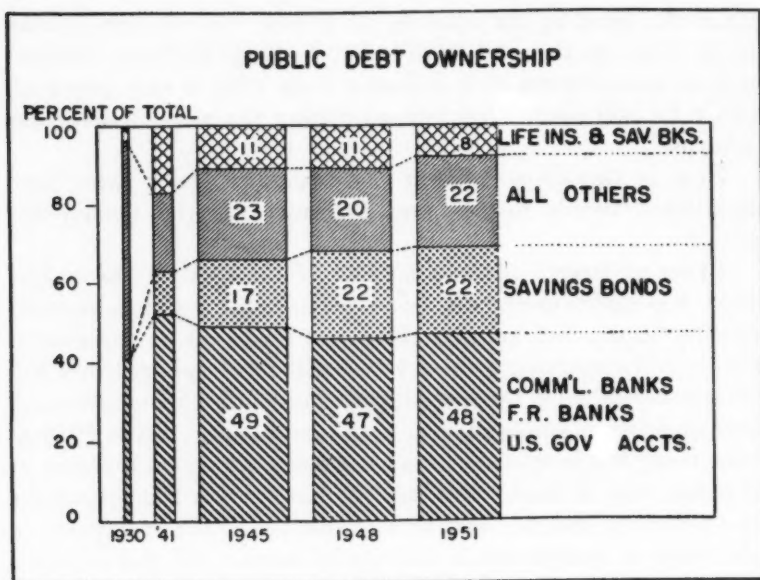


CHART 3

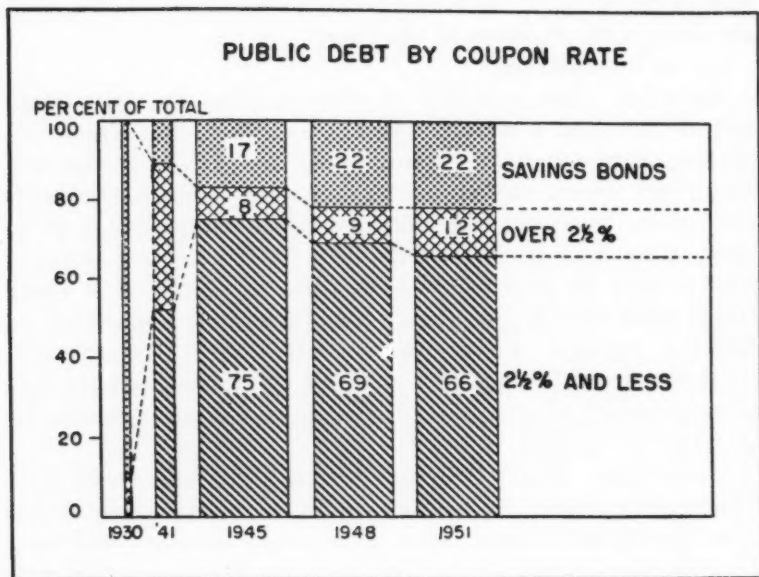


CHART 4

than an additional fifth was held by owners of savings bonds. This left less than a third of the total held outside of commercial banks, government agencies and holders of demand paper. To state it the other way, at the end of last year, less than a third of the debt was held by nonfederal-government, nonbanking investors willing to hold other than demand paper. Over the years there has been a persistent trend toward a smaller proportion of the debt in the hands of nonfederal-government, nonbanking investors willing to hold other than demand paper. These facts can be seen in Chart 3, entitled "Public Debt Ownership", constructed with the same plan as Charts 1 and 2.

Coupon. Only an eighth of what is called the debt now bears a coupon rate of more than $2\frac{1}{2}$ per cent. All the rest carries $2\frac{1}{2}$ per cent coupons or less, mostly less, or is in variable rate paper payable on demand. The proportion over $2\frac{1}{2}$ per cent is slightly higher than in 1945 or 1948, but far below that before the war. These facts can be seen in Chart 4, entitled "Public Debt by Coupon Rate", constructed on the same plan as Charts 1, 2 and 3.

To summarize—and to leave the statistical forest—what is called the public debt over more than a fifth of a century has been greatly enlarged and its make-up enormously altered in every important regard. The first point I want to make is that the debt is much larger, but a much higher proportion is in nonmarketable form, in shorter maturity, held by nontraditional investors, and in lower coupon.

Salient Features of the Entire Public Debt

I have carefully referred to the \$260 billion which I have been discussing as "what is called the public debt", and the second point I want to make concerns the nomenclatural qualification. The fact is that in the public debt—and in some other subjects as well—we are the prisoners of past conventions, and, like the bygone horse, wear blinders which hide from us important parts of the landscape.

Had you thought that the public debt now in fact is lower than at the end of the war? Let me read to you from the Federal Reserve Board's reply to the Patman Subcommittee questionnaire:

Federal lending agencies comprise more than 20 individual agencies that make credit available of specified types or to specified groups of private borrowers either by lending directly or by insuring or guaranteeing loans made by private financing institutions. Altogether these agencies are responsible for a substantial volume of credit extensions. Their outstanding loans and loan guarantees or insurance, domestic or foreign, have increased at an average rate of \$5½ billion since 1946, and totaled about \$38 billion in mid-1951.⁵

Little if any of this is included in what is customarily called the public debt. But, while suggestive that something goes on that is not just what is seems in the conventional view, this statement is far from all-inclusive. It covers only the lending agencies, while in fact there is much more. Let me propose a definition of the public debt to you.

The public debt actually is a mass of contracts to transfer monetary claims within society through the Federal Treasury, with the tax power as the ultimate resort.⁶ The \$260 billion usually called the public debt is a part, but only a part, of that total, and the addition of the lending agency total as tabulated by the Federal Reserve still does not provide the whole story. The public debt, in addition to the conventional part now standing at \$260 billion, is made up of guarantees and insurance of a huge volume of real estate loans, commitments to make subsidy payments on numerous large real estate developments, commitments to make payments to millions of individuals upon the occurrence of a large number of contingencies, insurance of a great volume of bank deposits and shares in savings and loan associations, commitments to make payments certainly or on some contingencies to a number of foreign countries and international agencies—to mention some of the major ones.

So beblinkered—to use a term from Alexander Sachs—have we been by the obsolete conventional concept that no measure of the public debt has been developed. We do not know, we

⁵ *Monetary Policy and the Management of the Public Debt*, Part I, U. S. Government Printing Office, 1952, p 269.

⁶ For more extensive discussion, see "Public Debt and Institutions", by Donald B. Woodward, *American Economic Review*, May 1947.

do not even have an approximation of the total public debt. We don't even know how to measure it or to value it.

Not knowing the total, nor the amount of many of the constituent parts, we cannot analyze the large nonconventional, but very real, part of the public debt. But the available evidence indicates that it accentuates, quite markedly, the salient feature we discovered in looking at the conventional part of the debt. A large part of this nontraditional public debt is payable on demand, or on short term if contingencies materialize. An important part of this nontraditional debt bears no interest rate, or a low rate—at least lower than if it stood on its own without the government endorsement. An important part of it is held by unorthodox owners, particularly banks or government agencies. Most of it is in types of issues that holders would not accept, at least in such volume, without special privilege: in this case the government stamp. And the volume itself is largely the direct and exclusive result of government action.

My second point is that the true public debt is in fact much larger than is usually understood by our imprisoned concepts, but that the salient features discovered by a review of what is usually regarded as the public debt actually are true to a large extent also of the whole.

Public Debt and the Supply of Money

The growth of the public debt, and the trends of its constituent parts, have, as is well known, had a profound effect upon the total money supply—currency and bank deposits—of the American public. Largely as a consequence of the growth of the debt with the characteristics we have seen, the money supply is now 3.1 times that of 1930, 2.3 times that of 1941, and 12 per cent higher than in 1945.

The third point I want to make, and to explore a little, is this tremendous alteration, caused by the public debt, in the supply of money. Let us look at it a little more.

Given the magnitude of the increase in the public debt, and the wartime conditions under which much of it was done, I am sure that the monetary system had to help. Furthermore, there appears to be a secular trend to increased use of currency and bank deposits in this country. And the conditions of the 1930's and then of the war may have accelerated that trend.

Some parts of the problem can be seen especially clearly. An outstanding one is to establish management over the whole debt and the agencies which affect it. The last several years have been marked by flatly contradictory operations by different organizations having responsibilities for the debt or parts of it. This is a situation that would not bode well for the public good whatever Administration was in office, and certainly enhances instability.

Another prominent part of the problem is to seek to devise some bounds on the creation or maintenance of liquidity, both money and near money. The very high standard of living in this economy means that a higher proportion of production is postponable than perhaps anywhere else in the world. When in addition there is excessive liquidity that can move rapidly from hoarding to bringing about excessive demand, and back to hoarding again, neither domestic nor international tranquillity is encouraged.

Yet another aspect of the problem is to decide what objective or objectives debt management is to follow. Is the Employment Act of 1946 an adequate statement or is it biased toward inflation?

But these are but some of the major aspects of the essential problem which is my fifth point: how can the tremendous force for economic, political and social instability which now resides in the public debt be lessened? Samson's hair needs cutting and soon. I hope that the scissors are being made ready.

Recommendations

In these days of controversy, it would be more unusual to stop with analysis than to proceed with recommendation. Perhaps it would be more prudent. But I have long been impressed with E. A. Goldenweiser's injunction to statisticians and economists: "Don't be intellectual eunuchs", he urges.⁸ And I do have some views. Let me state them very briefly, and I am finished. There are four:

1. Congress should pass the Douglas Resolution—which instructs the Treasury to follow the Federal Reserve's lead on monetary policy—but should broaden it to cover all federal agencies that issue obligations or are involved in policy formulation of such agencies. This seems to me the most desirable

⁸ *Journal of the American Statistical Association*, March 1944, p. 1.

ferent from compulsory arbitration by a government agency. I was suggesting that the parties might be required to resort to private arbitration rather than to a stoppage of production.

Now, on the question of how popular this proposal would be with the parties at interest, I am not certain. There might be a preponderance of opinion against it. The only thing I can say to that is that there is still a public. There is a third interest here which might be sufficiently important and sufficiently compelling to bring about legislation of a regulatory sort, which the parties did not want. This has happened in other areas of economic life.

MR. THEODORE PRINCE: To what extent can we control inflation and the mounting debt through the gold standard?

CHAIRMAN HAIG: That point was not specifically discussed, but I suppose it falls within the province of Mr. Woodward.

MR. WOODWARD: The stipulation was that questions might be addressed to the speakers; they were under no injunction to give the full and complete answer. [Laughter] Let me start that way.

The nineteenth century had a method of discipline, self-discipline, in the gold standard in monetary affairs which we do not have now, and I think that is one of our great weaknesses at the present time; we do not have a discipline. We have only men-made decisions affecting the quantity of money.

Unhappily, however, I do not imagine that it is so simple a situation that we can get back those advantages just by waving our hands or getting Congress to vote to reestablish the gold standard, because we have gone far away from what one might call the pre-conditions which made the gold standard operation possible.

We have the terrible physical and economic ruin of two wars, and a depression. We have commitments to full employment. (I am not criticizing it, but it stands there.) We have commitments to agriculture, commitments to labor, all of which war with the kind of discipline that was accepted in the nineteenth century and made the gold standard possible to operate.

So that one can wish fervently that we had that discipline back as a control, as a check on monetary affairs, but I do not know how we can get it back—at least for a very long time.

MR. ARCHIBALD JORDAN: Does Mr. Woodward believe that the Treasury ought to be able to protect itself in the contest for monetary supplies of the country which always exists between the Treasury Department and industry and commerce of the nation?

MR. WOODWARD: I think the Treasury can protect itself perfectly well. It has the best credit that anyone has to offer—indeed, better than anyone else has to offer. I think that that credit is sufficiently good and that the Treasury does not need artificial barriers to the operations of the market place. All the Treasury has to do is to go out in the market and bid, and it will get everything it needs.

MR. JORDAN: Pardon me. It has to sell bonds now. Does it sell those at the market rate, or does it sell them at a certain fixed rate?

MR. WOODWARD: It has always sold at the market rate as far as I know. The Treasury has not sold at less than market rates at any time. What the Treasury has been urging is a rigged market for its own benefit, and that I do not believe it needs.

MISS MILDRED ADAMS: May I ask Mr. Reynolds how he finds the system of escalator clauses, which tie wage rises to the rise in cost of living, has worked out?

MR. REYNOLDS: Historically, this has usually been a temporary device adopted with enthusiasm during an inflationary period, and usually dropped when the tide begins to run in the opposite direction. Whether it makes much actual difference to the course of wages is a little doubtful.

As I suggested earlier, you can be reasonably certain that wages will at least keep pace with retail prices during a period of inflation. The escalator clauses may reduce the lag a little bit, but I doubt that they really make any basic difference to the course of the whole movement. I think that people get too excited about it in discussion.

I might add just a word to my previous answer on arbitration which I was not satisfied with, really, as I thought it over. What I was suggesting was not a general system of compulsory arbitration, but a system for a very limited group of strategic industries in which by general consent you cannot have a strike for any length of time.

I was suggesting it as an alternative to this business of *ad hoc* plant seizure which does not seem to me to be particularly good administration or particularly good democracy. If anyone can come up with a better alternative I would be perfectly happy to talk about it and to go along with it.

MISS RUTH ROSENFELD: My question is for Mr. Woodward. With respect to your second specific proposition, which monetary formula, or which exposition for the value of money, do you think would be most acceptable politically?

MR. WOODWARD: I have no specific formulation. I should think that (you might perhaps remember the preamble of the Employment Act, a sentence longer than from here to the Battery and back) an addition of a clause adding the value of money to the other considerations that the executive agencies must give will do the job. Perhaps it is just that simple.

MR. STANLEY HOUSTON: Professor Staley, inasmuch as the amount of money that has been apportioned for the Point Four Program is at the present time only a fraction of what we are spending on armaments, and also since it is a very meager fraction of what Russia herself is spending for propaganda purposes alone, do you feel that taxes can be reduced?

PROFESSOR STALEY: I would be glad to comment on that. This would be my analysis of it. I was wishing that Mr. Magill would emphasize one point that I am sure he is aware of but did not emphasize in his talk: that a very large fraction of our national government's expenditure these days goes for the cost of past wars and preparation for possible future wars. The exact figure, as of today, I do not know. I looked it up some time ago and it was over 75 per cent of all our federal government's expenditures. Today I am sure it is higher than that; I think it is almost 85 per cent now.

Well, it seems to follow that if we want to make any substantial reduction in taxes we have got to meet these international problems. That is the big cost of our federal government. You simply cannot reduce taxes very much by cutting out even all of the other expenditures of the federal government. If we still think we have to spend these huge amounts for defense, and if we are still saddled periodically with the costs of past wars—such things as large payments to veterans—it would be most unwise to try to cut down taxes by slashing indiscriminately on expenditures that might be able to prevent wars. It seems to me that the Point Four kind of thing has more possible benefit in that direction than almost any other expenditures in which we are engaged.

MR. HOUSTON: In others words, you feel that taxes must rise—rather than decline—in view of the importance of Point Four?

PROFESSOR STALEY: No, I do not believe that it is necessary to think of large increases for that purpose in the near future. Or, put it this way, I would hope that we can gradually make a shift from the emergency expenditures for rearmament, which to my mind are

highly necessary because of the two-pronged thrust of the Soviet Union, one of which is willingness to use military power. I think we have to meet that threat, and that costs a great deal of money.

But as we begin to get our armament position rebuilt and that of our Allies, then I would hope that we would be able to make some shift in the direction of cutting the current outlay for military expenditures, while we increase the current outlay for the more constructive expenditures that would make us a more secure and peaceful world in the long run.

I think if we handle things skilfully, that can be done with a reduction in total expenditures.

Of course, all of these things depend really upon the Soviet Union, which we cannot control. I do not think the American public is going to give way to the Soviet Union in order to cut down taxes, even though we would like to cut taxes.

MRS. BENJAMIN MARVIN: I would like to address this to Professor Staley. When you speak about the budget for the Point Four Program, do you include in that the money that we spend to keep the kind of work going that General Eisenhower is doing now, organizing armies? Or is that assessed against our military program?

PROFESSOR STALEY: That is our military program. It is rather hard to say just where you allocate various kinds of expenditures these days under the Mutual Security Administration. Some of it is directly military aid to improve the capacity of France and Italy to make more steel which goes into arms and also into other things.

I did not give any figures, you will notice, on Point Four expenditures, partly because it is rather hard to classify these things. The original first-year appropriation for Point Four was of the order of about \$35 million. It was then raised as the program has gotten under way. I think the Administration is now asking for next year's budget about \$600 million that is classified more or less under what you might call a Point Four policy, the more purely economic aid side of mutual security.

CHAIRMAN HAIG: Less than one per cent of the aggregate budget.

PROFESSOR STALEY: It is a very small fraction of the aggregate budget, and is very much smaller, of course, than the military portion of the budget.

MR. HUDSON: I would like to ask Professor Staley if he feels there is any possibility of our government encouraging a greater outflow of

private capital to underdeveloped areas. For example, I understand in the case of India that certain of our oil companies who would like to build refineries there are discouraged by laws threatening nationalization.

PROFESSOR STALEY: That is a definite policy of the government, and was expressed in President's Truman's first statement on the Point Four idea. In his inaugural address he coupled technical assistance with investment, and later on in that same paragraph he emphasized especially the need for encouraging private investment.

The difficulty there is, of course, that in many of the countries which it is most important for us to help and to develop and stabilize from our political point of view, the risks are so great that private capital is unwilling to go in at present, so that a great deal of preparatory work has to be done by technical assistance and by outright government loans or grants in order to try to prepare the way and create a situation into which private capital will be willing and able to go.

However, I think that everyone who is concerned with the program, Democrats and Republicans alike, desires to increase the flow of private capital and to try to create conditions in which private capital will carry as much of the constructive effort as possible.

You mentioned India specifically. I think the situation there is looking better from this point of view, that the Indian government has modified its attitudes and is now working rather effectively with certain American companies, getting them to come in on contracts for building fertilizer plants and similar enterprises and managing them at least for a certain length of time. A good deal is apparently going to be done there through direct contact with American private enterprise.

CHAIRMAN HAIG: I am impressed by the modesty of the audience in confining themselves to questions designed to elicit further information from the speakers. I sensed in the case of the last question perhaps the possession of some interesting information on this point. I hope that if you have some instance in mind that would be of interest to us, you will give it to us.

MR. HUDSON: I had this thought in mind. I do not know the name of the law, but the Indian Parliament passed last year a law giving the government the right to seize or to take over the operation of any private concern. They have insisted that when a foreign company comes in, more than half of the stock be offered to Indian nationals.

I believe the Burma Shell Company of England and the Standard Vacuum Company have since negotiated with the Indian government to overcome some of that. But there are other oil companies that have not been satisfied that the threat of nationalization has been sufficiently overcome, and they have been deterred from going in.

CHAIRMAN HAIG: Certainly there are important obstacles in the way.

MR. JOHN SCHRAM: My question is for Mr. Woodward. During your discussion, Mr. Woodward, you suggested that we are victims of outworn concepts concerning the public debt. Could you briefly but clearly show more precisely the relationship between the public and the private debt, and the impact of both in terms of size upon the economy?

CHAIRMAN HAIG: Perhaps you have another set of charts. [Laughter]

MR. WOODWARD: The simplest answer to the question is no. [Laughter]

MR. SCHRAM: May I emphasize the relationship between the public and the private debt? I think there is a great deal of misunderstanding on this.

MR. WOODWARD: You perhaps are referring to the fact that a great deal of mortgage debt rests on private structures and is owed by private individuals, which is either insured or guaranteed by the government. There is a kind of overlap, as it were. There is an overlap between public, federal government and local government in the area of slum clearance and low-cost housing development.

There is an overlap between federal public and local government in parts of the Social Security Act where there are commitments to make payments to people on certain contingencies, and there are overlaps of various kinds in agricultural areas.

No, a part of my point was that this question of what is the public debt, what kind of thing it is, has not been thought through, identified, defined or measured.

MR. ARTHUR WILLISTON: In looking forward to possible reductions of our budget, one thing has not been mentioned that has interested me very much, and that is the substitution of an organized and trained reserve force in place of our huge standing Army at the pres-

ent time, which it has been estimated might reduce the expenditure for our huge Army by \$12 to \$13 million.

It seems to me there are opportunities to reduce expenditures for our military which are very important.

CHAIRMAN HAIG: I hope this suggestion will come to the eye of General Eisenhower when he reads our PROCEEDINGS, sir.

MR. WILLISTON: The General is very enthusiastically in favor of such a move.

CHAIRMAN HAIG: I have no disposition to terminate this meeting as long as the interest and spate of questions continue. Are there other questions you would like to submit? If not, since it is now ten minutes to one, perhaps we should adjourn for lunch and re-gather for another session this afternoon.

PART II

POLITICAL ISSUES OF THE CAMPAIGN

INTRODUCTION *

DANA G. MUNRO, *Presiding*

Director, Woodrow Wilson School of Public and International Affairs,
Princeton University

THIS afternoon's session will be devoted to the political issues of the campaign. The first speaker will be Professor Earl L. Butz, Chairman of the Department of Agricultural Economics of Purdue University, who will speak on "The Politics of Agricultural Subsidies".

I might say that since there are going to be five speakers we will leave questions until all of the five speakers have spoken. Then I am sure they will all be glad to answer any questions that you may have about the campaign. One or the other can surely answer practically everything. Professor Butz!

* Opening remarks at the Afternoon Session of the Semi-annual Meeting.

THE POLITICS OF AGRICULTURAL SUBSIDIES

EARL L. BUTZ

Chairman, Department of Agricultural Economics, Purdue University

I AM in sort of a difficult spot. I am the only agriculturalist on this program and the only land-grant college representative. I am asked to discuss a quasi-political subject in this quadrennial election year when tempers run hot and reason is at a low ebb, and I am on a state payroll. But I am far enough away from my taxpayers that I am going to say what I think.

It is difficult, indeed it is impossible, to discuss the question of agricultural subsidies without seeming to get into the very core of partisan politics, for the agricultural subsidy program has become political in recent years. Therefore I suppose I shall have to discuss it from a political point of view.

I do this knowing that some of you are Republicans, some of you are Democrats, and others of you no doubt belong to the party now in charge of the Administration.

Be that as it may, I shall speak as objectively as I can and as frankly as I know how to do.

There are five areas I want to touch on in the thirty minutes allotted to me. I want first to touch on the historical setting of the subsidy problem. Then I want to mention the major types of direct financial assistance we now give to our farmers in America. Next I shall discuss two of these types of financial assistance in more detail: first, the price-support and commodity-loan program, and, second, the program of conservation payments we make through our Production and Marketing Administration that reaches out into the agricultural roots of America. Fourth, I want to discuss the question of whether United States action agencies should themselves become policy-making branches of the government, a function they are assuming for themselves.

Finally I want to summarize briefly in a discussion of the core of the struggle between agriculture and government. In that section I really want to emphasize the struggle between agri-

culture and the government, for some people in the metropolitan areas think there must be an alliance between agriculture and government. I feel there is a struggle between them, rather than alliance.

Agricultural Subsidy Is Not New

Subsidies for agriculture are not unique in America, as you know. Many branches of American industry and commerce are subsidized; you can recite those examples as well as I.

Agricultural subsidies themselves are not of recent origin. The Virginia Colony as early as the 1620's had an overproduction of tobacco. They were then using tobacco as a medium of exchange. The farmers inflated the currency by planting too much tobacco. This cheapened the currency, and it became necessary to impose rather ironclad production controls in the 1620's in the Virginia Colony. The government appointed "viewers" with power to destroy excess acreage of tobacco that the planters then grew. Agriculture has always been interested in government, from the earliest days of this country.

As long ago as the Lincoln Administration in 1862, three very significant agricultural acts were passed: the Homestead Act, providing for disposition of the public domain; the Morrill Act providing for the creation of the land-grant college system; and the act creating the United States Department of Agriculture. I suppose that President Lincoln, in his wildest moments, never dreamed the USDA would grow to its present size. The USDA attained Cabinet status in 1889.

We now skip several decades and come to 1933, when federal aid to American agriculture assumed a new emphasis. As you know, we had a change of administration in 1933. Prior to that time the emphasis of the USDA was on indirect assistance to the individual farmer through assistance to the agricultural industry in terms of research, education, regulation, product development, market expansion, and the like.

Following 1933 we adopted the philosophy of direct aid from the Treasury to the individual farmer through one mechanism or another. At that time we started to follow a whole new philosophy of aid to the American farmer.

There are few who dispute the farmer's need for aid in 1933, for he was in desperate financial straits. At that time we be-

gan to extend direct aid to him in return for his compliance with some particular program or programs which had been promulgated by a central agency in Washington. That system continues today, with modifications. For example, in the fiscal year 1951-52 we are spending 240 million dollars for direct payments from the United States Treasury to some three million American farmers for doing something or not doing something, as the case may be.

This means, then, that in this shift from a philosophy of over-all aid to the industry, to a system of direct payments to the individual farmer, we have developed coincidentally a system of controls over the managerial decisions of the individual farmer.

Under the former system the individual farmer was relatively free to make his own managerial decisions on his own farm unit. To comply with the kind of aid now being extended he must conform within limits to whatever action program is designed by the central planning agency in Washington.

Types of Direct Aid

What types of major direct financial assistance do we now give the American farmer? I shall list five major types. We give some direct financial assistance in the form of credit extensions, chiefly through the Farmers Home Administration. I shall not discuss that further, because it is not very deeply involved in politics this year.

We give some direct financial assistance in the Soil Conservation Service, in the form of technical assistance to individual farmers in developing farm plans. That is a rather costly service. It is a service that is not involved in the political campaign this summer; it is a service that is relatively popular among urban people as well as rural people, because you can sell soil conservation to large masses of our population. That has been done, and I shall not discuss it further.

The third type of direct financial assistance is our surplus-product-disposition program, our school-lunch program, our purchase of certain types of surplus commodities for our Foreign Aid Program, and the like of that. I shall not discuss this further for it is not very involved in political considerations.

The fourth type of financial assistance is the price-support

and commodity-loan program. I shall discuss this in some detail.

The fifth type of financial assistance is the conservation payments that we now make directly to farmers from appropriations of the Congress. I shall discuss this in some detail.

Let us turn now to the price-support and commodity-loan program. This is a program under which we attempt to guarantee minimum prices for farmers. I want very briefly to trace a bit of history here to set the problem in its historical perspective.

In 1920 following World War I we had a rather severe price decline for farm products. Agitation arose for some type of agricultural relief. In 1921, two young men came from Moline, Illinois, to the convention of the then infant Farm Bureau Federation in Chicago and gave a paper which they entitled, "Equality for Agriculture", in which they said that what we want in agriculture is "fair exchange value".

Those two young men were General Hugh Johnson, who later became Administrator of the National Recovery Act, and George Peek who later became the first administrator of the Agricultural Adjustment Administration, the outfit which later killed six million pigs and plowed under every third row of cotton.

Parity Is Born

The term "fair exchange value" sounded equitable, so we kicked it around for about ten years until the New Deal Administration in 1933 passed the Agricultural Adjustment Administration, in which the objective was to obtain for farmers "parity" prices. We had now coined a new word and given it legislative dignity—"parity" prices. That word combined everything; it was short, it had equity, it had sex appeal. All we wanted was parity. Somebody has said that the farmers' Bible reads, "And now abideth faith, hope and parity, and the greatest of these is parity." There is some truth in that statement.

The Act of 1933 was declared unconstitutional in 1936. We quickly passed another act which we call the Domestic Allotment and Soil Conservation Act, and started to do the same thing in the name of soil conservation. You can do anything

you want to in this country in the name of soil conservation, because it is popular with everybody. We must conserve our resources to protect the unborn generations, you see. We have operated under that Act since 1938, with amendments from time to time. Under this Act, as part of our soil-conservation program we proposed to pay farmers for soil conservation. Certain crops now became soil-depleting crops, and certain others became soil-conserving crops. If the government decided we were getting too much of one thing it became soil depleting, and farmers got paid for not growing it. If somebody decided we needed more of a particular kind of crop, it became soil conserving, you see, and farmers got paid for growing it. It is a very simple and effective technique. The Act of 1938 provided for price-supporting loans on commodities ranging between 52 and 75 per cent of parity.

Parity, in a nutshell, is a relative price that gives a farm product the same purchasing power it had in the base period 1910-14. If a bushel of wheat could be exchanged for a ladies' garment made in New York at the same purchasing power to-day as it had in 1910-14, it would be at parity, to oversimplify it. Whether we produce the wheat cheaper or not, whether we make ladies' garments cheaper or not, makes little difference. We still tie our parity calculations to the 1910-14 base.

When World War II came, the drive was on for more food. We raised the level of price supports, as always happens, because price supports tend to become price-raising measures. During the war we raised the level of price supports up to 90 per cent of parity (92½ per cent for cotton). Then a Congressman Steagall from Alabama sponsored the Steagall Amendment, under which Congress was committed to support the price of not only basic commodities (corn, cotton, wheat, tobacco, rice, peanuts) at 90 per cent of parity, but practically all other commodities also at 90 per cent of parity for a period of two calendar years following the first of January, following the official cessation of hostilities.

The war ended in August 1945, as I recall. We still had those high price supports for two years following whenever Mr. Truman decided to end the war. You never end a war as soon as the shooting stops, so we were set for high price guarantees for quite a while.

Republicans Capture Congress in 1946

In November 1946, the Republicans won control of the Congress, and control then shifted from the South to the North. In December 1946, the American Farm Bureau Federation, the largest and most powerful of our farm organizations, had its convention in Chicago, and they elected a new President. Allan Kline, from Iowa, replaced Ed O'Neill, from Alabama. Control of that powerful organization shifted from the South to the Midwest, and a new philosophy soon emerged in Farm Bureau leadership. Allan Kline is a keen student of economics, a man who genuinely believes that the welfare of any industry over a period of time is tied to the per capita production of that industry. He believes that agriculture cannot maintain a status of well-being over a sustained period of time on the public subsidy. Allan Kline believes basically in somewhat lower price-support levels than prevailed in 1946 or since. This is a somewhat different emphasis than agricultural leaders had in the 1930's. The interesting thing to note at this point is that when the control of Congress in 1946 shifted from south to north, the control of the powerful Farm Bureau also shifted from south to north.

Things were going along pretty well those days until December 30, 1947. Mr. Truman woke up that morning, rolled over in bed and said, "Bess, I believe I'll end the war today." And by official proclamation he did end the war, and many of the emergency powers that had continued up to that time.

The reason I say December 30 is of some importance is that, had Mr. Truman waited until January 2 to issue that proclamation, we would have had virtually three years of guaranteed farm price supports at a high level. But since he did it on December 30, we had only two years.

The Congress immediately got busy to pass a so-called Permanent Farm Legislation Act. They passed the Agricultural Act of 1948 in June 1948. This Act provided for two things I want to mention here. First, the Act of 1948 provided for flexible farm price supports, between 60 and 90 per cent of parity. It provided that if we had a large crop of corn or cotton, for example, the price-support level would be 60 per cent of parity. If we had a small crop we would raise the price support to 90 per cent of parity. This recognized a fundamental

economic principle that if we have a large supply we should lower the price somewhat, (a) to move it into consumption, and (b) to discourage marginal producers from still further aggravating the supply situation.

Second, the Act of 1948 modernized the way we calculate parity. I will not go into the details except to state that it lowered somewhat the parity price on feed grains and cotton and wheat, and raised somewhat the parity price on livestock and dairy products and on some fruits and vegetables. This was essentially a sound provision, economically speaking, but you can see that opposition was bound to develop in the Great Plains area where we produce our wheat, and in the Cotton South.

This Agricultural Act of 1948 was to go into effect a year and a half after it was passed. Many people thought a Republican Secretary of Agriculture would administer that Act following the election of 1948, but he did not. The Democrats recaptured control of the Congress in 1948, and control shifted back to the South.

The new Chairman of the House Agricultural Committee was Mr. Cooley, from North Carolina, and the new Chairman of the Senate Agricultural Committee was Mr. Thomas, from Oklahoma.

A New Farm Act in 1949

Less than a week after the election in November 1948, both Mr. Cooley and Mr. Thomas announced they would hold hearings on a new agricultural act to replace the Act of 1948 several months before it ever went into effect. As a result, the Congress passed the Act of 1949 under which we now operate. It was a compromise. It is not economically sound; it is unworkable in the long run except in a war economy. It does not suit anybody, but it is what we operate under today.

The 1949 Act raised the level of price supports some; it postponed for a time the operation of the new way of calculating the parity index. It provides for the revised way of calculating parity, but specifies that until 1954 we will take whichever is higher, the old or the new parity.

There is today a bill in the Senate (Senate Resolution 2115), authored by Senators Young, of North Dakota, and Russell, of Georgia, a Republican and a Democrat, which will continue

beyond 1954 this dual parity provision, this either/or provision. This indicates that parity as it is now used is essentially a price-raising mechanism. In the long run, "price stabilization" in agriculture seems always to end in "price raising".

When my students at Purdue University ask, "What is a fair price for corn?" the only answer I can give is, "Ten per cent more." When they ask me, "What is a fair cost?" I can only give the answer, "Ten per cent less."

The Brannan Plan

In the hearings leading up to passage of the Agricultural Act of 1949, Secretary of Agriculture Brannan testified. In the middle of those hearings he proposed what came to be called the Brannan Plan, which you have heard a great deal about. I shall not take time to go into details of the Brannan Plan except to say that, more than any other single incident, the Brannan Plan threw the question of farm subsidies and farm programs into partisan politics. Prior to this time our farm program had been largely bipartisan.

When Mr. Roosevelt became President in 1933, it was the farm organizations, in the main, that wrote the farm program of the 1930's, and support for the program was bipartisan. Following the testimony of Mr. Brannan in May 1949, in which he projected the Brannan Plan, the alignment of forces back of the various proposals for agricultural relief took on a partisan complexion. This situation continues today, intensified rather than diminished.

The Forces Line up on Price Supports

What is the current alignment of forces? On the side favoring high price supports we find the Secretary of Agriculture, Mr. Brannan. We find rather strong sentiment in Congress. We find the Farmers Union, the left-wing of the farm organizations. The CIO and the AFL, oddly enough, favor high price supports for agricultural products, even though high supports would raise the cost of food to their members who are not farmers. But in this way they bid for farm organization support for higher minimum wage rates. We find also some commodity group organizations on the side of high supports. When prices begin to fall they rush to the government and

say, "We need a price support." Then when prices are high, some of them are rather "lily-white" about the whole matter of price supports.

On the side of a moderate level of price supports—what I call price supports at the disaster level (a floor through which farm prices will not be allowed to sink)—there is the Farm Bureau Federation with some one and one-half million members, and the National Grange with just under one million members. These are our two most powerful general farm organizations. On the side of moderate price-support levels is also the National Council of Farmers Cooperatives, with headquarters in Washington. We also find among this group most of the reputable agricultural economists in the United States, and I use the word "reputable" because I am on that side myself.

Looking at the question geographically, in the main, we find the Northern leadership in agriculture on the side of moderate support levels. In the main, we find the Southern leadership on the side of high price supports.

The Issues in 1952

What will be the issues on the price-support question in the 1952 election? The Democrats, of course, will claim credit for farm prosperity. In the rural sections there are evidences that they are already campaigning against Mr. Hoover. That is smart politics. For the last two years of the Hoover Administration, agriculture was not very prosperous. Indeed, in the western part of the Corn Belt, corn was cheaper than coal for fuel. There was nothing else to do with it, so farmers heated their houses with it. They could not afford coal. Farmers have not forgotten those years, so again in 1952 we shall campaign against Mr. Hoover.

The Democrats will avoid the accumulation of perishable surpluses of farm products this summer if they can possibly do it. Secretary Brannan announced just a few weeks ago that he did not intend this summer to support the price of hogs which currently is rather low, or the price of eggs which also currently is low. He purchased eggs a couple of years ago, and a Kansas cave full of dried eggs became sort of a national scandal. From a political point of view he cannot afford this summer to accumulate stores of such perishable products as pork loins or

eggs or potatoes. There is nothing more obsolete than last year's potatoes, and you can't do much with them.

The Democrats will claim that price controls have held food prices in check as they bid for support from the labor element of society. The Republicans, I presume, will claim that price controls have raised food prices by discouraging added production of foodstuffs. The truth will be somewhere in between, as is usually the case in such arguments.

Agricultural Conservation Program Payments

So much for the price-support features of our agricultural subsidy program. I want now to turn to what I think is a still more insidious and dangerous phase of our subsidy program; that is the conservation payments we pay to farmers under the Production and Marketing Administration, the PMA. Direct payments of this nature started in 1934 under the old corn-hog program, where we were paying farmers to teach their sows how to practice birth control. This was to curtail the production of pork. We slaughtered some six million pigs and thousands of pregnant sows.

We continue the program of direct payments to farmers today. It started in 1933 as an emergency program, but now with farm income in America at an all-time high we cannot stop it. As a matter of fact, we expand it. Our powerful farm organizations are opposed to it, and still we cannot stop it.

No governmental emergency ever ends, as you well know. I well recall the words of the late President Roosevelt early in 1933, when he said, "We shall be a government of action. We shall take bold measures. We shall make mistakes. I shall be the first to recognize my mistakes and to rectify them." To his everlasting credit, I want to say that he did recognize the mistake he made in changing the date of the Thanksgiving Holiday. He changed it back to its original place on the calendar after he had moved it forward. As far as I know that is the only emergency within the past twenty years that ever terminated. The rest have matured into permanent arrangements. Even the Republican-born RFC goes merrily along, loaning money, and buying mink coats, in these days of easy money.

So it is with direct payments to farmers. Born as an emer-

agency measure and badly needed when it was born, the practice has long since outlived its need. But we cannot get it stopped. For the last two years the National Grange and the American Farm Bureau Federation, two of our most powerful farm organizations, have passed strong resolutions saying that these payments must be either eliminated or reduced drastically. Yet we increase them.

In the fiscal year ending June 30, 1952, we will spend some 240 million dollars for that type of thing. The President in his budget asked for 256.5 million dollars for the fiscal year 1952-53. The Farm Bureau recommended this item be reduced to 100 million dollars. The Grange asked that it be eliminated entirely. The Farmers Union asked that it be increased to 400 million dollars.

The House Appropriations Committee two weeks ago reported out 250 million dollars for next year. It is now up to the Senate. You cannot stop it, you see.

Farm Groups Ask for Reductions

I was in the office of the Master of the National Grange in Washington yesterday. He handed me a copy of his testimony before the Senate Committee last week. It reads, "We recommend elimination of the present system of direct payments made by PMA under the Agricultural Conservation Program amounting to 256 million dollars." And he went on to say in another paragraph—and this, mind you, is a representative of the agricultural pressure group—"May we remind this committee that we recognize the benefit that has accrued to many farmers and consumers alike from the Agricultural Conservation payments, but we feel there is little justification for making such payments to farmers who would automatically carry out the necessary conservation practices at a profit to themselves, without incentive payments. We recommend the elimination of the present system."

We now have the rather unique situation in American political history where pressure groups, "selfish" pressure groups, if you will, are going to Congress saying, "Give us less money," and with Congress saying, "Doggone you, I'll give you more!"

This is a unique situation in American history, and frankly I am a bit frightened by it. Why do we do it? We do it because

to administer these payments we have set up a powerful organization which has taken on a political complexion. It is the PMA organization that reaches from the Secretary of Agriculture's office through the states and down to the county levels in every agricultural county in America.

While the PMA has an appearance of democratic control by virtue of local elections for local committees, the line of authority is straight from Washington to the states to the counties. In many respects the PMA has become virtually a personal political organization for the Secretary of Agriculture. It carries a quasi-political complexion. I presume with some three million farmers drawing checks directly from the United States Treasury, it was inevitable that such a system sooner or later would be twisted around to be used for political ends.

When the USDA was created in 1862, it was formed to promote the public welfare, to increase the production of food and fiber. The early Secretaries of Agriculture conceived their job to be to promote the public welfare. It was Mr. Wallace, Secretary of Agriculture in the 1930's, who conceived his job to be to promote the *welfare of agriculture* as contrasted to promoting the public welfare.

Our present Secretary of Agriculture evidently has added a new twist to his conception of his job; that is, that he must promote the welfare of the party and perpetuate the administration in power. He is using the USDA for that purpose.

I am not being critical of Mr. Brannan, the person, when I say that. I am convinced that, given time, a new Secretary of Agriculture, under a Republican administration, would be subject to identically the same temptations and the same pressures to use the system just at it is now being used. With some three million farmers receiving checks directly from the Treasury, the temptation to use this set-up for political purposes is, I think, almost beyond the power of human resistance for anyone who operates in the political environment in which cabinet members must function.

Therefore it seems to me that thinking people should throw the weight of their influence on the side of organized agriculture, the Farm Bureau and the National Grange, who are saying, "Let's eliminate these payments for they are the source of the trouble. They are the mechanism through which the whole

agricultural program is being drawn into partisan politics, which in the long run must injure the agricultural industry."

Shall PMA Speak for Farm Policy?

There is one more question we face, and I want to touch on it briefly. That is the effort of the action agencies of the USDA to become spokesmen for agricultural policy. We have had a great battle being waged the last couple of years between the Farm Bureau and the PMA of the USDA over the question of who is going to speak for American agriculture in the halls of Congress. Will it be the paid employees of the action agencies of the Department of Agriculture? Should it be a branch of the executive arm of government that presumes to go back to Congress and say, "This is the kind of program we want." Or will it be the representatives of a voluntary organization of farmers themselves through their own organizations?

In the summer of 1951 the USDA conducted what they called the Family Farm Policy Review. They had a 130-page booklet that summarized what they had been doing and would like to do, which was distributed through the states and counties for a series of county, even sometimes township, meetings. At these meetings, it was proposed to get opinions from the "grass roots" to feed up through the county, state and national PMA organization, and presumably to Congress itself. Obviously, an important purpose of this was to influence the Administration and the Congress on contemplated programs and appropriations.

On the face of it, the Family Farm Policy Review seemed like a very worth-while undertaking. But the American Farm Bureau Federation broke away from the procedure early in 1951, opposed it vigorously, and refused to participate in it. The Farm Bureau maintained that it was simply a whitewash procedure that would be used to feed down from Washington the "grass roots" reaction they want fed back. They could then take the reports to the agricultural committees of Congress and say, "This is what farmers want."

This points up a very real question we face in this country, it seems to me, not only in agriculture but throughout government generally. Are we going to permit the paid employees of the action agencies, which are themselves part of the executive

branch of government, to go before the legislative or policy-making branch of government and say, "Here are the programs which we want you to authorize us to administer."

Agriculture today faces that issue very, very squarely. It is one of the reasons, I am convinced, that our two most powerful farm organizations, the Farm Bureau and the National Grange, have so openly broken with the current leadership of the Department of Agriculture.

There is one more facet of the struggle between government and agriculture which I want to mention, and then I am through. I hope you will recognize the emphasis that I have tried to give in my remarks, that agriculture and government are not in cahoots to gyp the public, but they are instead struggling with each other. And it is a tough struggle.

The struggle is how to set up a system that will provide minimum price guarantees to American farmers so they will not experience a 1932 again, but will yet preserve their individual freedoms, free from government domination.

Agriculture wants to get its price in the market place, if it can; it wants to sell its products in the market place with access to the man in New York City through the channels of a free price system, rather than having a government agency standing between you and the producer, saying, "This is the price. We will set it in Washington."

The current struggle centers on the important question of whether farmers will get their price in the market place, or whether they will get part of their price in the market place and the rest of it through the tax collector.

Many agricultural leaders have become firmly convinced that there is no magic about payments from the Treasury; you simply send the money to Washington in the first place so you can get some back from Washington later. They have become convinced further that you cannot send a dollar to Washington and get a dollar back. You get back sixty cents and a lot of blanks to fill out.

They have also become convinced that with this system of subsidies there must inevitably come a system of control which transfers from the individual farmer to a central planning agency many of the managerial decisions that traditionally have been made on the individual farms of America.

This is the core of the struggle between agriculture and government today. Its solution is not easy. Its roots are so deep in politics, prejudice and just plain ignorance that it will not be resolved in the election of 1952.

REMARKS BY THE CHAIRMAN

CHAIRMAN MUNRO: Mr. Gerald Johnson will speak to us next. He is of course a well-known author, and former editorial writer on the *Baltimore Sun*. He will speak to us on "The Extension of Federal at the Expense of State Powers". Mr. Johnson!

THE EXTENSION OF FEDERAL AT THE EXPENSE OF STATE POWERS

GERALD W. JOHNSON

Author, Former Editorial Writer, *Baltimore Sun*

TO begin with, permit me to observe that my subject has been compressed for the sake of brevity. To call it "the problem of the extension of federal at the expense of state powers" is inexact; precision would make it "the alleged problem of the alleged extension of federal at the alleged expense of state powers".

You will rightly infer that what I propose to discuss is less the subject than the current debate about the subject. The reason is simple. The theory of centralized government has been rigorously examined by some of the greatest political philosophers this country has produced. I do not propose to enter into competition with James Madison, Alexander Hamilton and John C. Calhoun. I will not insult your intelligence by asking you to believe that I can add to the learning or correct the logic of the *Federalist* or the *Disquisition on Government*.

But if the theory has been examined by some of the best, the debate upon it has been entered by some of the worst logicians in the country. Some of them are so bad that even I can perceive their errors. The theory is debatable, as I shall attempt to show a little later; but a great deal of what currently passes for debate upon it has little relation to the theory, but is based on stereotypes and illusions.

Philosophy does not concern itself with the prevention of the inevitable. No rational man argues for or against sunrise, the precession of the equinoxes, or anything else that is beyond human control. It follows that when our great men have discussed the theory of centralized government they have had in mind only that degree of centralization that is definitely open to choice. To the extent that centralization is inevitable, their arguments are irrelevant and were never intended to apply.

It is evident that some forms of centralization are the result of technological advances, unforeseen a hundred years ago.

Therefore to quote Jefferson, or John Taylor of Caroline, against them is as irrelevant as to quote them on the control of atomic fission. These forms we must exclude, if the discussion is to be intelligent, although excluding them will narrow the field of debate very considerably.

Observed phenomena cannot be ignored, and certain things have been happening under our eyes, things that have perplexed and frequently alarmed students of public affairs. Large areas of American life that formerly were unaffected by federal power are now under its control, and the causes and significance of this change demand the thoughtful consideration of every citizen.

But to lump them under the general title of "the problem of the extension of federal at the expense of state powers" is careless thinking unless we have first obtained affirmative answers to two questions. They are: Is the change in question in fact a problem or a solution, and is it in fact an extension or a contraction? For convenience I wish to consider the second question first—does what we observe represent an extension or contraction?

The same effect may be produced by an extension of central power or by a contraction of the field in which it operates. In either case, points on the perimeter that formerly were unaffected will come within the field of force. But although the effect is the same, it does not follow that means of preventing the effect will necessarily be the same. If extension is involved, then to prevent any increase in the central power will turn the trick; but if contraction of the field is involved, that will not work.

By way of illustration, I cite facts familiar to all of you. My grandfather, when he desired the latest and most modish means of transportation—when he aspired, as the song-writers have it, to

"Hurry with the surrey with the fringe on top"—

he repaired to the carriage-maker in the county town seven miles away and bargained with him regarding style and price. But when I am seduced by the same ambition, both style and price of my vehicle are fixed by a manufacturer in Detroit, not seven, but nearer seven hundred miles from my place of residence.

On its face, this is a terrific extension of the power of Detroit, but let us consider two facts. In the first place, I can fly to Detroit almost as quickly as my grandfather could drive to the county town; and by picking up the telephone I can talk to a man in Detroit much more quickly than my grandfather could communicate with the carriage-maker. In effect, this means a contraction of the field in which economic force operates.

As a small boy I accompanied my mother many times to the local drygoods store and watched her purchase cloth, lace, ribbon and thread, winding up with a large envelope filled with strangely shaped pieces of tissue paper constituting a dress pattern, by which she, or the local dressmaker, made clothes for my sisters. Even then, the acknowledged center of the world of fashion was the city of Paris, but it took Paris fashions a year to two years to reach our town. Today, if a popular design appears in Paris or New York it is delivered in that same town, already made up, and very well made, within a matter of days.

This appears to be a terrific extension of the social power of the great cities and the logical inference is that this power must have increased enormously. But I doubt it. My wife is no more a slave to Paris than my mother was; but the field has contracted to such an extent that Paris can reach her in a fraction of the time that it took fifty years ago.

No doubt you find all this as new and startling as a recitation of the multiplication table, but it is none the less true for being trite. But here is an aspect of the situation that is just as true and just as trite, but less frequently repeated because it is uncomfortable.

My grandfather was a strong character, a ruling elder in the Presbyterian church when it took a strong man to rule that austere faith. He could bully the carriage-maker into doing almost anything he wanted. My mother was no weakling, either; she could bully the drygoods clerks and the dressmaker into meek submission. But imagine my trying to bully General Motors, or my wife trying to bully Bergdorf Goodman into conforming to our tastes!

I have studiously chosen trivial things for my illustrations—a surrey and an automobile, a homemade dress and a Paris model

—rather than discourse of monopoly and organized labor, inflation and deflation, rural life and urbanization. I have done so because a condition that reaches down to trivialities has thoroughly permeated the social system. If geographically distant centers of power are in effect so close that they govern my purchase of a vehicle and my wife's purchase of a dress, then we may rest assured that they also affect all my ways of living, political, economic, intellectual and social.

If I am not a mere automaton, a puppet dancing to strings pulled in Detroit and New York, the reason is this: if I have been dragged close to the centers of power, I have also been dragged close to the centers of authority. If Detroit and New York control my way of life more closely than they controlled my grandfather's, on the other hand Washington controls Detroit and New York more closely than it did in grandfather's day. When private power increases enormously it creates a problem; and an increase of public authority is one solution of that problem.

Neither operation was, however, the act of wicked men, malevolently designing to reduce me to slavery. They were the inevitable result of modern technology, the effect of which has been to compress the world into a single neighborhood. Yet this same technology is the flowering of the scientific method, and to denounce it is to denounce Western civilization. To the extent that the observed phenomena are the result of compression of the world, they are inevitable, for no sane man would destroy science to protect a theory. But as far as the phenomena are inevitable, they are outside the realm of political philosophy.

When I was a boy our town was visited regularly by two federal officials and sporadically by another. The regulars were the post-office inspector and the national bank examiner. The other was the revenue officer chasing what we called "blockaders", that is, operators of illegal whisky distillers. For the rest, we had little more contact with the government at Washington than we had with the government of Siam.

Today—but need I go on? I am inclined to believe that the continental wail that has arisen over the multiplication of federal officials is the loudest lamentation in human history; and sometimes I am inclined to suspect that it is the most tremen-

dous howl that has gone up since the fallen angels struck the gridded floor of the Bottomless Pit. The climax came the first of this year when I found the head of my house extorting nine cents a week from the furnace man for the social security tax. George Bernard Shaw despaired of Western civilization when, as he said, it sank to the bestiality of sending women to war. That's pretty low, I admit; but I think it took a further step down when it converted the wife of a man's bosom into a tax collector!

Even so, it remains a question whether this vast proliferation of the official class should be regarded as a problem, or as a solution. Certainly without this federal interest in my intimate affairs I should be in a parlous state, confronting, single-handed, vast aggregations of capital, vast combinations of organized labor, vast concentrations of the media of publicity and of the means of propaganda, capable of robbing me, not merely of my money, but of my power to discover the truth and so to form intelligent opinions. The federal jobholders are an appalling nuisance, God knows; but so were the Janissaries that surrounded the Sultans of old, yet they were the solution of a problem, for without them the Sultan would have had his throat slit by his own palace attendants.

You may say that my attempt to distinguish between a problem and a solution is a quibble, because it is the dismal condition of human life that the solution of any important problem always raises another problem. That is true enough; but my attempt is not a quibble, because the light in which we view this situation will affect our procedure in relation to it. If the extension of federal power into our intimate affairs is regarded as a problem, then the obvious procedure is to restrict that extension; but if it is regarded as the solution of an earlier problem, then the procedure is to find means of living a tolerable life in the midst of swarms of functionaries.

The federal government, we are informed practically every day by some Congressman or some newspaper, now employs some three million persons; but we are seldom reminded that the vast majority of them are not jobholders in the conventional sense. They are simply carpenters, plumbers, brick masons, steelworkers, and other artisans employed, for the most part, in navy shipyards, army posts, and air bases, and doing

the same kind of work they would do if they were employed by some private construction company. Only about half a million are engaged in the administration of the government. If, then, we have sixty million gainfully employed, it would appear that only about eight-tenths of one per cent of the national labor force has been absorbed by government.

Statistically, therefore, the matter is of small importance. The production of economic goods has not been seriously affected by the expansion of the federal government.

It is not, however, primarily a matter of statistics, although some of our more addled tub thumpers have tried to make it appear so. It is primarily a matter of the deprivation of liberty, which may be effected by a relatively small number of jobholders. After all, the Moscow Politburo consists of only fourteen men, but it has enslaved a population greater than ours.

I believe, however, that the reason for this is to be found, not in the character of the Politburo, but in the character of the population. In spite of Rousseau and his school, the capacity to be politically free is not a natural endowment of man. It is a capacity that has to be acquired, usually by long and painful experience; and it must be maintained, as the maxim tells us, by eternal vigilance. No large population is capable of eternal vigilance, hence the liberty of large populations is always in danger. It cannot be protected by any sort of legislation, by any sort of method, by any sort of governmental organization. It can be maintained only by eternal vigilance, which cannot be legislated into people any more than morality can be legislated. It may be stolen away by all sorts of means; one, undoubtedly, is the multiplication of officials and of statutes dealing with small affairs, but it is only one, and there are others quite as effective against a population that grows drowsy and careless.

That we have grown somewhat drowsy and careless in recent years is proved by a spectacular case in my own city. Two years ago last month a man in Baltimore was accused by a federal jobholder of being an official of the State Department, and at the same time the head of Stalin's espionage ring and the chief architect of our Far Eastern policy. It was quickly proved that he was not and never had been an official of the State Department or of any other branch of the government,

that there was no evidence that he was a spy for Stalin, or anybody else, and that, far from being the architect of our policy, he had had his every suggestion brushed aside.

Nevertheless, a group of jobholders had made up their minds that he must be guilty of something, and for two long years they have been trying to find out what, and trying in vain. The man has been pilloried in public, he has been subjected to expense that has cost him his life savings and run him deeply into debt; on one occasion he was kept on the witness stand under bitterly hostile examination for twelve successive days, and at the end was vilified scurrilously by a jobholder who nevertheless dared not accuse him of any crime.

Yet there has been no furious revolt of the American public against this outrage. Who, then, is responsible for the fact that in this country a private citizen, accused of no crime, and holding no public office, may be dragged away from his business, exposed to public contempt, vilified and tormented for months that run into years, at the pleasure of a group of public servants? Are the responsible parties really the jobholders, or the public that doesn't care?

If American liberty is, in fact, being lost, don't blame it on the Constitution, nor on the statute law, nor even on what Whitman called "the insolence of Elected Persons". The blame will lie, not on the extension of federal power, but on the ordinary citizen who lies supine while he is being stripped of his most valuable possession. For what they can do to one man, they can do to any other. "Ask not for whom the bells tolls. It tolls for thee."

Perhaps it may appear that in narrowing the field of debate on this subject I have narrowed it to extinction so that no debate is possible. This would, by inference, accuse Madison, Marshall, Calhoun and the rest of the political philosophers of merely beating the air, which would be arrogance indeed. But that is not the case. I believe, indeed, that most of the argument we hear is not based on the issue, but on incidental events not accurately described as extensions of federal power. Yet on occasion we have deliberately and knowingly extended the federal power by appropriate political action; and such enterprises are always debatable.

Four come to mind at once. The first was the Louisiana Pur-

chase, which in Jefferson's opinion so clearly exceeded federal power that he proposed to ask of Congress an Act of Amnesty, and was only dissuaded by the violent objection of John Randolph, his leader of the House.

The second instance was the abolition of Negro slavery, accomplished by a terrific civil war and three amendments to the Constitution. There can be no doubt about the purposeful character of that extension.

The third was the establishment of the federal income tax, also accomplished by constitutional amendment after full and free debate.

The fourth was the establishment of national prohibition, a step taken after at least fifty years of debate, yet, as three-fourths of the states decided fourteen years later, a mistaken step.

It is the judgment of the nation that three of the four extensions were acceptable solutions of existing problems and so were right and proper. This is evidenced by the fact that none of the three is seriously questioned today. But the significant point is the fact that the fourth extension was deemed wrong and improper and was cancelled.

Here is the proof that the extension of federal at the expense of state powers is still a debatable subject. All the learning and the brilliance of our greatest constitutional authorities has not closed the question. It cannot be closed, because the pragmatic test is the only one that is decisive. The extension of federal power is not a matter of principle, it is a matter of policy; it is sometimes desirable and sometimes undesirable, depending entirely upon the nature of the extension and the time at which it is proposed.

We do not hear much today of the Hamiltonian theory of a strong central government, but we hear a great deal of the doctrine of States' Rights. My respect for two great men makes me happy to point out that Alexander Hamilton never was a Hamiltonian, nor Thomas Jefferson a Jeffersonian. On appropriate occasions Hamilton stood for States' Rights, and it was Jefferson who made the Louisiana Purchase. The trend of each man's thinking diverged from that of the other, but neither established his doctrine as a principle that bound his action in defiance of common sense and the necessities of the specific case.

It is an inferior kind of thinking that commits lesser men to opposition or advocacy of any measure in advance of consideration of the circumstances. Such people are men of principle only by Cornford's sardonic definition: "A principle is a rule of inaction giving valid general reasons for not doing in a specific instance what to unprincipled instinct would seem to be right."

Since I am on principle opposed to rules of inaction, I can see no justification for taking a position either favoring or opposing the further extension of federal power. It all depends upon the circumstances, for in the past such extensions have sometimes been right and have sometimes been wrong.

Still less can I see any justification for founding a political party committed to defense of States' Rights. To my way of thinking that is the way to divert attention from reality and to center it instead upon stereotypes, upon images sprung not from events but from imagination. It is to condemn us to remain prisoners in Plato's cave, observing shadow-shapes while men and things pass behind us unseen. Only when men emerge into the sunlight and observe things as they are can they make a contribution to good government; so eternal opposition to shadow-boxing seems to me the only position tenable by realists. "For thus," as Plato remarked, "our state which is also yours will be a reality, and not a dream only, and will be administered in a spirit unlike that of other states in which men fight with one another about shadows only and are distracted in the struggle for power."

REMARKS BY THE CHAIRMAN

CHAIRMAN MUNRO: The next speaker, one of our most distinguished American historians, Dean Louis Hacker, of Columbia University, will discuss "The Presidency and the Election". Dean Hacker!

THE PRESIDENCY AND THE ELECTION

LOUIS M. HACKER

Dean, School of General Studies, Columbia University

MR. CHAIRMAN, Ladies and Gentlemen: I address you this afternoon as a historian with my leading interest the political and economic development of the United States. In consequence, my remarks are set in a general framework so that we, as intelligent citizens, confronting the election before us, can understand properly the nature of the office which is being contested, as well as the significant policies to which this nation is already committed.

The Presidency of the United States can be the most powerful office in the world—and the most frustrating. Its holder is Commander-in-Chief of the armed forces, deviser of its foreign policy, the leader of his party, and the source from which significant legislation flows; or he is an isolated and friendless man in the White House, whose voice is not heeded by Congress and the American people, and whose impact upon events is insignificant.

I am simply saying that, in the parade of the thirty-odd men who have filled the office, there have been strong presidents and weak presidents: those who have guided events and those who have been compelled to bow before decisions made elsewhere. And yet, paradoxically enough, the power of the office steadily grows as interventionism on the part of the state more and more becomes the hallmark of the American society.

It was the intention of the Founding Fathers to create a strong executive, and this in the face of the countervailing forces at home and abroad. In Britain, cabinet government, with the ministry responsive to the legislative will, already was taking form. In the separate states, in the constitutions written from 1776 on, the legislative arm was being built up at the expense of the executive authority.

Earlier colonial experiences and the pressures of leveling experiences were accounting for the cutting down of executive power. By the same token, a fear of leveling influences—de-

manding abrogation of contracts, stay laws, a depreciation of the currency—prompted the writers of the Constitution to seek devices to balance at least, and if necessary check, the clamors which found voice in popular assemblies.

It is idle to assume that fear over the excesses that had manifested themselves in the states represented only a propertied interest. Interestingly enough, the economic interpretation of the American Constitution has become a leading stock-in-trade of admirers of Jefferson and Jeffersonians. Hamilton, supported by Madison, who later deserted him, led the fight to establish a powerful central government, and the creation of a presidency with implied powers.

His chief concern was the survival of the young Republic, ringed about by hostile foreign Powers and threatened by dissension from within. To establish the credit-worthiness of the United States of America; to obtain her entry once more into the channels of world trade; to protect her frontiers—this program required the devotion of the best minds and the economic support of the nation. I am saying, in other words, that public welfare and private interest are not necessarily irreconcilable. Indeed, in the making of the Constitution and in the secure establishment of the American Republic, they were bound together in an irrefragable chain.

The federal system and the separation of powers among the executive, legislative and judiciary were the great contributions to political institutionalism made by the American Constitution. And, thanks to the genius of Alexander Hamilton, in the formative years of the American Republic, the nation and the presidency were established firmly. The funding of old debt and the assumption of state debt assured the credit-worthiness of the new Republic and the opening up of European money markets to America. It is important to observe that the new state could not have survived had not English, Dutch and French bankers, merchants and investors been prepared to help in the financing of the public and private operations of the United States in its formative years.

The successful fight by Hamilton—over Jefferson's bitter objections—to get the bill for the First Bank of the United States passed and signed and its creation to guarantee a sound monetary system put the executive at the helm of the state. A pat-

tern was created early from which, in long-term trends, there has been no deviation in our political history.

Let me put my argument in this way. Taking the long-run course of institutional change, the trend line of our political development shows a continued rise in the power of the presidency. There have been setbacks of course, notably when the president has had neither legislative nor popular support; but with the return of a strong personality to the White House the upward march of power has been resumed.

Put simply, with strong men in the White House, power grows in the office; with weak men replacing them, there are momentary retreats. And when the presidency is weak, Congress usually takes the bit in its teeth for the purpose of either cutting down the pretensions of the executive office or building up its own authority.

If one examines the history of the executive office one notes these irregular phases. A strong man is not at once followed by a weak one, and the reverse. Rather, as in business-cycle theory, there are short cycles working within the framework of longer ones. Thus the strong Washington (for eight years) was followed by the weak Adams (for four years). He in turn was followed by the strong Jefferson (for eight years), who was succeeded by the weak Madison, Monroe and John Quincy Adams (for twenty years).

One may say that the strong presidents were Washington (eight years), Jefferson (eight years), Jackson (eight years), Polk (four years), Lincoln (four years), Cleveland (four years), Theodore Roosevelt (eight years), Woodrow Wilson (eight years), Franklin D. Roosevelt (twelve years). The total of their administrations has been sixty-four years out of the sum of a hundred and sixty years of the life of the American nation. Within those sixty-four years, the upward movement has been two steps forward; within the one hundred years in between, the retreat has been only one step backward. The trend line, in other words, has been steadily upward. Today, in consequence, the office is the most important political one in the world.

What makes for a strong president? Sometimes he starts out by being a person who already has manifested outstanding capacities for leadership in other public offices: Washington, Jefferson, Jackson, Cleveland, are cases in point.

Sometimes he rises to the occasion—when times are out of joint; when crisis threatens the nation—and boldly puts himself in the forefront of events. Polk, Lincoln and Franklin D. Roosevelt were relatively obscure persons when elected to the presidency; certainly few were prepared to credit any one of these with real capacities for leadership. Note, however, the achievements of the lightly regarded Polk in his four years. He acquired California for the United States; he forced a settlement of the Oregon boundary dispute; he led in the fight on high tariff schedules; he sought to bring order out of the monetary chaos created by the abolition of the Second Bank in the establishment of the Independent Treasury; he enlarged the Monroe Doctrine; he took the United States into a successful war with Mexico.

Concerning Lincoln and Franklin D. Roosevelt, who were far better known, one does not need in this place and before such an audience to describe their accomplishments in office; but certainly there would be no dissent from the proposition that their energy and leadership—as well as their positive achievements—surprised many of their contemporaries.

Finally, among the strong presidents, have been men like Theodore Roosevelt and Woodrow Wilson who, while not original thinkers themselves, have been able to articulate and synthesize the discontents and programs of their times. It would be hard to demonstrate that either Theodore Roosevelt or Woodrow Wilson originated any body of significant policies with which their names are associated. Concern over conservation, Theodore Roosevelt's great contribution, for example, goes as far back as Cleveland and had a powerful friend in Roosevelt's own contemporary, Gifford Pinchot. The whole conception of intervention at the basis of Roosevelt's New Nationalism can be found worked out in complete detail in Herbert Croly's *The Promise of American Life*.

Similarly in the case of Wilson. His New Freedom had LaFollette for father, and the Progressive states of the Middle West as the early fruits of that advocacy. But each man in his way brought attention and action to focus, and, as a result, had a profound impact on events and upon his time.

I have said strong presidents emerge from their experiences or seize time by the forelock. Why do they prevail? In the first place, the prestige of the office is enormous, and a president

capable of appealing to the American people, and willing to do so, at once has a wide hearing. A president has many opportunities for being thus heard: his State of the Nation message to the Congress; his public addresses; his veto papers if need be; his letters, interviews, and more recently appearances on radio and television. Jackson, Cleveland and Theodore Roosevelt were able and frequently acidulous controversialists. Lincoln, Wilson and Franklin D. Roosevelt had real gifts for striking exposition: they could expound high principles in a common language capable of firing the imaginations of millions of their countrymen. They were stalwart antagonists, and it is interesting to observe that during their administrations there never emerged a leader of the opposition to match their talents, or able to gain the public ear as quickly or as sympathetically.

Next, we ought to note the great power of the president as the leader of his party. His ability to dispense patronage is only part of the explanation for his strength; his rôle as protector and mentor for the local machines is another. Literally thousands of office seekers and holders in the municipalities and states live and thrive under his sheltering protection. His successes are theirs; his threatened failures their calamities. Even when he renounces further office, as Theodore Roosevelt did in 1908, as Coolidge did in 1928, as Truman recently has so declared, they still are strong enough to determine the succession. Again, the presidential veto is a weapon which presidents can and do use for many purposes. They can check undesirable legislation (Cleveland used the device tellingly); they can, through it, expose the pretensions of special-interest groups (as has been true in the vetoing of veterans' legislation); they can force compromise upon the recalcitrant Houses of Congress.

Finally, we are to note that through presidential leadership significant legislative achievement takes place. Strong presidents may themselves originate or inspire new legislation; or they may offer their powerful advocacy for its discussion and adoption.

I do not denigrate the Congress; quite the contrary. Its existence as a unique legislative assembly makes feasible the maintenance of a balance in American political life that assures the survival of democratic institutions. It may be said generally—except for a few startling exceptions—that Congress-

sional debates, sometimes over a long period of years, shape legislation. But a strong president makes possible, as a rule, the whipping into final form and the adoption of the new codes.

There are examples, within recent history, of significant acts, which were entirely the work of the Congress. The Interstate Commerce Act of 1887 and the Sherman Act of 1890 are cases in point. Against these, put the impressive achievements of the Wilson administrations—the Underwood Tariff, the Federal Reserve Act, the Clayton Act, the Federal Trade Commission Act, the Federal Farm Board Act. Their general character and specific content were debated in Congress and in Congressional committees and commissions for years before they were written into law. But Wilson took these measures under his wing; he became their public champion; he forced warring factions within his own party (as in the case of the long wrangle over the nature of the Federal Reserve bill) to compromise their differences and arrive at agreement.

A strong president can have things done: the unsettled business of many years; improvisations in time of crisis; the clearing away of unsound or unconstitutional practices, until finally an acceptable body of law emerges. As an example of the last I cite the many trials and errors through which agricultural legislation passed in the Franklin D. Roosevelt administrations, before the program now on the statute books was finally devised.

These are some of the ways by which strong presidents labor and some of the reasons why the power of the office and of the central government has continued to grow, certainly since the Civil War.

But there are setbacks. Jackson was followed by Van Buren, Harrison and Tyler; Lincoln by Johnson, Grant, Hayes, Garfield and Arthur; Wilson by Harding, Coolidge and Hoover.

Sometimes a president who initially promises well is the captive of a Congress controlled in whole or in part by the opposition party. This happened in Cleveland's second administration, in the final two years of Taft's and Hoover's administrations, and during 1919-21 in the Wilson second administration.

Why, then, the weak presidents? Two general reasons may be suggested. Virtuosity is too heady a draught for a democracy. Consciously or not, the leveling process, which Tocque-

ville regarded as democracy's chief weakness, asserts itself. A Lincoln, a Theodore Roosevelt, a Woodrow Wilson, a Franklin D. Roosevelt—these demand too much of us emotionally: they keep us in a state of exaltation at first, and then later in a fret.

"Back to normalcy" has been a frequent antidote and also a common anodyne in American politics: the weak president is a soothing syrup for jangled nerves. Hence, Hayes, Garfield and Arthur after the alarums and excursions of the Reconstruction period; Taft after Theodore Roosevelt and his crusades; Harding and Coolidge after the exacting demands made on us by Wilson to right at once all the wrongs the world had been heir to for centuries.

Again, in a democracy, we want time to reconsider, to modify, to dilute. These processes can take place only when the presidential succession is in more compliant and complaisant hands. Sometimes this process of dilution is gain; sometimes, loss. Gain when, after Reconstruction was over, Northern capital was able to flow into the Southern states to begin the slow process of industrial transformation. Loss when, in the 1920's, tariff revision upward, weak central banking policy, the virtual stultification of the Clayton and Federal Trade Commission Acts, helped prepare the way for the depression of the 1930's and the experiments and improvisations of the New Deal.

At such times the Congress dominates, and its powers, formally cribbed, cabined and confined, are again released. Balances are reestablished. For under our political scheme, the powers of Congress can be very great. Congress has control over the purse strings. Its right to investigate can keep the executive and his agencies in a constant fever of anxiety. Since 1946, under the Legislative Reorganization Act of that year, it has at its command its own talents of experts to give it independence and confidence.

Despite contemporary excesses, the power of Congressional investigation is one of the greatest safeguards against abuse on the part of the executive and its agencies; and one of the greatest forces in shaping significant legislation.

The Interstate Commerce Act was written only after committees had been fishing in troubled waters for more than a decade. The Pujo Committee of 1912-13 prepared the way for

the banking and security-exchange legislation of the 1930's. The Walsh Committee exposed the scandals of Teapot Dome in the 1920's. Other famous inquiries have been the LaFollette and Pecora investigations. Nor should we forget, in New York State, the Armstrong Committee investigation of insurance company manipulation which made the national reputation of its counsel, Charles Evans Hughes, and advanced mightily the mutualization of the life-insurance industry.

We must also consider the question of political principle—those sharp cleavages of opinion that divide men into angry camps. Do they play a rôle in our choices, come election time? You have observed how Mr. Johnson and I are alluding generally to the same common misconception. I would say that in the great number of cases the answer is no. The fact is, if a democracy seeks to endure, it cannot run the risk of such bitterly drawn division where only one side can survive.

Our choices—in the short run—are a little more or a little less; never, all or nothing. This is not a cynical view of politics; it is the only healthy one that permits change by constitutional methods and accomplishment through the slow arts of persuasion.

Lord Balfour, in commenting on the two-party system in Britain, put the same observation in this way: "Our alternating Cabinets, though belonging to different parties, have never differed about the foundations of society. And it is evident that our whole political machinery presupposes a people so fundamentally at one that they can afford to bicker; and so sure of their own moderation that they are not dangerously disturbed by the never-ending din of political conflict."

Three times the American Republic was in peril from violent change as conspiracy rather than public debate was the guide to conduct or action. The first time was during the Adams administration, when the division over the French Revolution almost wrecked the young Republic. The second was during the second war with Britain when, as a result of the economic havoc created by an unpopular war, a part of New England seriously talked of seceding from the Union. And the third was the Civil War which took place because accommodation to reconcile differences appeared out of the question. Note, in this last instance, how Lincoln tried desperately to avoid a break; how he

sought to assure Southern leaders that his election did not threaten their peculiar institution; that the success of the Republicans meant no radical departure from the settled order of things.

The so-called Second American Revolution of 1861-65 met with its great triumphs only because Southern legislators had quit the Congress and their Northern allies were silenced. Republican Congresses—really rump Congresses—passed the Homestead Act and high protective tariffs, established the national banking system, created the land-grant colleges, and chartered the first trunk Western railway, only because they held an undisputed field. While Republicans were committed to these policies it is doubtful that the electorate of 1860 voted on them; its chief concern was the checking or the extension of slavery into the territories.

Or take the so-called Great Debate of 1912. Here, we have been told, was a public discussion pitched in the noblest terms—not personalities but fundamental principles were involved; and the American voter went to the polls to cast his ballot consciously for one body of beliefs as opposed to another.

William Allen White was closer to reality when he characterized the choice as between Twiddlededum and Twiddlededee. Both Theodore Roosevelt and Woodrow Wilson wanted massive intervention on the part of the state—one to protect the consuming and investing public from presumably monopoly practices, and the other to reestablish competition. Whatever the intention, the devices to be employed were the same: and the interventionism Theodore Roosevelt supported so heartily, Franklin D. Roosevelt installed.

The point I wish to make is this: neither Wilson nor Roosevelt moved very far from a set of attitudes or political beliefs to which the American people—as a result of the developments of the previous decade—had become committed. In the short run—and it is then that elections are won or lost—we have two parties from which to choose: the party that is in power and the one out of it.

We will vote for the party that is "out" if we want to see new faces and more wholesome awareness of public responsibility. For there is no doubt that a party too long in power falls into the hands of placemen. But we will continue to vote for

the party that is "in" if we are fearful that the benefits and securities gained under it are likely to be jeopardized. A large part of those committed to the "ins" will support the "outs" if assurances can be given in the most solemn terms that no risks will be run in the process.

Accepting, then, my premises—that the power of the presidency has continued to grow during our history as the tasks of our national government have expanded; and that fundamental decisions already have been made by the American people as a result of the experiences of the last two decades—one does not need the gifts of prophecy to declare that any candidate entering the coming election is doomed to failure if he is going to be content to discuss only principles in the so-called broadest sense.

In his first inaugural, Jefferson, shaken by the bitterness of the previous half-decade, made a plea for national unity, declaring, "We are all republicans—we are federalists." Lincoln, in his first inaugural, even though fearful that it was already too late, made a similar plea saying, "We are not enemies, but friends. We must not be enemies."

I have alluded to a campaign based upon principles alone. The real danger is that talk of principles may easily degenerate into passion, rancor and division. At this point in our history, when we are confronted by a great external foe, all those who seek to create an unbridgeable chasm between the two American parties do their country a great disservice.

I conclude by again alluding to Jefferson who, looking back upon a bitter presidential contest—and it may very well be that the next six months before us will match it—reminded his countrymen: "Every difference of opinion is not a difference of principle."

REMARKS BY THE CHAIRMAN

CHAIRMAN MUNRO: Our fourth speaker will be Professor David Truman, of Columbia University, who will speak on "'Influence' at Washington".

"INFLUENCE" AT WASHINGTON

DAVID B. TRUMAN

Professor of Government, Columbia University

WHATEVER decisions may emerge from the national nominating conventions in 1952, it seems certain that in the course of the campaign we shall hear a great deal about improper "influence" in the present Administration. Although the recent disclosures have at times threatened to involve members of Congress and Republicans, the embarrassing limelight has been almost monopolized by officials of the executive branch and by Democrats. Clearly the Republicans have an "issue" that is likely to handicap any Democratic nominee for the presidency.

These are obvious facts concerning the 1952 campaign, and they may significantly affect the outcome, but the questions they raise are too important to be treated in the limited context of an election. Marching under the slogan, "Turn the Rascals Out", is a time-honored means of relieving tensions in American politics, but its therapeutic value is undoubtedly limited. To get beyond the superficial aspects of the problem it seems necessary to look at it in the spirit of Lincoln Steffens' observation that "Political corruption is not a matter of men or classes or education or character of any sort; it is a matter of pressure. . . . The problem . . . is one of dealing with the pressure, of discovering and dealing with the cause or the source of the pressure to buy and corrupt."¹

Our current concern with "influence", I presume, implies a rather specialized use of that term. Those who call for reform at the present time cannot seriously be contemplating the elimination of all differentials in influence from our politics. Such is clearly an impossibility in any organized society. Every society, every organized system of government, institutionalizes the uneven distribution of influence. Our political system gives to individuals approximate equality in one means of influence, the ballot, but this means stands almost alone in this respect.

¹ Lincoln Steffens, *Autobiography* (New York, 1936), p. 469.

Even the suffrage right, moreover, is, by various legal and extra-legal or illegal arrangements, denied to some segments of the population. Virtually all other features of our constitutional and social structure provide for the privileged exercise of influence. The constitutional guarantee of equal representation of the states in the Senate grants such privilege to the residents of the thinly populated rural states; the structure of personal income grants advantages in influence in a most fundamental way; a social system heavily dependent upon the manipulation of words to carry on its daily activities, including politics, gives an influence advantage to those who are skilled in the manipulation of verbal symbols; and so on.

These are differentials in privilege in which by and large we acquiesce. They may not be taken for granted eternally, and it may be that the cause of our present embarrassments can be found partly in the unwillingness of segments of the population further to accept some features of the system of privileged influence. But for the most part we do not question the unequal distribution of influence in this broad sense. What we are concerned with, therefore, is an apparent increase in the exercise of unsanctioned means of influence. The heart of the question we face is the incidence of bribery, the giving and receiving of rewards to alter or pervert the judgments of persons in positions of public trust. This is a means of influence that does not enjoy unqualified sanction and one whose extension is likely to generate protest.

Without passing judgment on the seriousness of the recently disclosed instances of bribery in Washington, it might be well to remind ourselves that bribery is not an American invention, that it is as old and as universal as social and political organization. Along with verbal persuasion, fraud and violence, it is a political technique that is never wholly absent from any social structure—including government—although it is regarded with varying degrees of moral disapproval. Anyone familiar with the history of American politics, from the days when Daniel Webster suggested that Nicholas Biddle should "refresh" his retainer by the Bank of the United States to the latest scandals in the Bureau of Internal Revenue, will recognize that bribery has never been a stranger to our politics.

The universality and persistence of bribery should also serve

to remind us that it may serve a significant social function, even though it may never be without its socially dysfunctional features. "Politics", as Harold Lasswell has observed, "is always a rather unstable equilibrium of interests . . . and bribery is one of the instrumentalities by means of which provisional adjustments are reached and perpetuated."² Those who glory in the American conquest and settlement of a continent in a few short decades should not neglect to ask themselves whether these achievements would have been possible without the "corruption" of public officials which frequently preceded or accompanied them.

The very stability of the society, moreover, may be served by the exercise of improper "influence", whether or not we find it distasteful to accept that as fact. The establishment of public policy through the open but stormy procedures of electoral campaigns and legislative debates may be enormously disturbing to the political system, although one may well view any particular disturbance of this sort as desirable. Witness the gallant attempts a century and more ago to keep the slavery question out of such channels, the similar struggles to avoid the prohibition question, and the heat that is currently generated by proposals to institute federal aid to education. Where a legal enactment, whether statute or constitutional amendment, has been adopted in response to the efforts of a temporarily dominant aggregation of interests, a power complex certain to decline in vigor and cohesion, *de facto* amendment by means of bribery may put far less strain upon the body politic than the processes of formal amendment or repeal. Such temporary power aggregates have placed laws against gambling on most state and municipal statute books, but the widespread interest in gambling has invited their partial repeal through bribery of enforcement officials. Improper "influence" may be the means of initiating on a *de facto* basis alterations of policy in which most citizens eventually acquiesce. How many responsible citizens honestly would contemplate with equanimity an attempt to enforce the second paragraph of the Fourteenth Amendment by reducing the representation in Congress of any state proportionately to the number of their adult citizens whose "right to vote at any election for the choice of Electors for President and

² Harold D. Lasswell, "Bribery", *Encyclopaedia of the Social Sciences*, vol. II, p. 691.

Vice-President of the United States, Representatives in Congress, the executive and judicial officers of a State, or the members of the legislature thereof, is denied . . . or in anyway abridged, except for participation in rebellion, or other crime. . . ?

Whether or not we like to admit it, we accept, both popularly and, in a sense, publicly, the proposition that the end sometimes justifies the means, especially if the end is reached. The difficulty—and this is the core of the present problem—is that the extensive use of a means that is not only morally disapproved but also the source of capricious and unpredictable policy may fatally undermine the foundations of the entire system. Bribery in the body politic may be likened to a powerful drug in the human body; taken in judicious doses it may have therapeutic value, but addiction will lead to decay of the whole organism. This is the danger in any double standard of morality, even though such standard may be useful or even necessary. The point is well made in the recent report of Senator Douglas' subcommittee of the Committee on Labor and Public Welfare, one of the wisest and most insightful public documents of recent years, although it labors under the somewhat pompous title, *Ethical Standards in Government*. "The clever man who makes a 'fast buck' gets a certain amount of acclaim, provided he makes enough of them. The political trickster frequently can claim his rewards—if he wins. There is a tolerance in American life for unscrupulous methods which bring immediate rewards, even though those methods, if they should become universal, would destroy the very society in which they are tolerated."³

The important question under the present circumstances becomes whether the disclosures of the past months indicate that the disapproved means of influence have become so widespread as to constitute a serious menace. It is difficult, probably impossible, to answer the question with confidence. Even allowing for the exaggerations of overzealous partisans, however, it is hard not to reach the tentative conclusion that the incidence of bribery has been on the increase at the federal level.

Perhaps the most disquieting feature of the recent disclosures, however, is a qualitative rather than a quantitative matter. It

³ U. S. Senate, Subcommittee of the Committee on Labor and Public Welfare, *Ethical Standards in Government* (Washington, 1951), p. 9. Hereafter cited as Douglas Report.

is impossible to be certain, not only because the recent investigations are incomplete but also because details on the past incidence of bribery of different sorts are not available, but one has the impression that there is a distinctive qualitative feature in the revelations concerning the R. F. C., the Bureau of Internal Revenue, and certain other agencies. This is that the bribery disclosed has been largely, if not exclusively, for individual and private gain. There has been almost no evidence that the improper "influence" has had any broadly political function, however misguided. One can draw a legitimate distinction between corruption as a means and as an end. In the former case it has most commonly served, especially in our cities, to strengthen the cohesion and power of a party or factional organization. The primary function of bribery in these cases has been public or political, in the sense that it has helped to sustain the power of a political machine. This has been probably the most pervasive aspect of bribery in American politics. It is also least susceptible of control and, in my opinion, least reprehensible. It helps to provide the indispensable power to govern, and in our society a power aggregate such as a political machine is, at least in some sense of the term, responsible.

When bribery becomes primarily or exclusively an end in itself rather than a means to the end of political power, it not only is essentially irresponsible but, more important, is both a cause and a symptom of disintegration in the power to govern. The late Senator James Couzens of Michigan once remarked, "Give me control of the Internal Revenue Bureau, and I will run the politics of the country." No such power motivation has appeared prominently in the recent scandals. The Bureau might have been corrupted to the end of strengthening the sinews of the Democratic party, but apparently it has been exploited almost entirely for private, individual gain.

Of course, the distinction between bribery as a means and as an end is a matter of degree, of proportion. The element of private gain is never entirely absent at some stage of the transaction, and no such arrangement is wholly devoid of power consequences. But the distinction is still a valid one, and when bribery in the political sphere becomes primarily a private matter, an end in itself, its implications for the society are profoundly important.

An exploration of these implications is not appropriate here, but it is relevant to inquire what factors, aside from the frailties of individual human beings, may have contributed to an increase in the incidence of bribery in the federal government for primarily personal ends. Here we can demonstrate little, but it may be valuable to speculate. I take it for granted that a marked increase in the incidence of bribery, whatever its purpose, is a sign of important changes elsewhere in the society—existing or impending alterations in the status system, modifications in the relative importance of the channels of influence, and the like. Because these types of changes threaten to impose deprivations, and because they are ill-defined in their nascent stages, they are an invitation to manipulation, favoritism and bribery.

Perhaps the primary locus of changes of this sort in the last two decades has been in the relations between the federal government—especially the executive branch—and the national economy, particularly the "business community". In these years the federal government has become the biggest buyer, subsidizer, and money-raiser in the world. We may persist for some time longer in the view that this is an "emergency" and, therefore, temporary situation, but such a view is hopelessly ingenuous, however comforting. If we look only at the purchasing, lending and taxing activities associated with the maintenance of our military establishment, it seems obvious that we are dealing with a permanent, not an emergency, condition.

There are many features of this changed relationship that are relevant to our problem, not the least of which, perhaps, are the effects of marked changes in the tax structure and of that great disintegrator of social and political systems, continued and rapid inflation. But perhaps the most important is that, in becoming the major buyer and lender in the American economy, the federal government has become deeply involved in the practices and values of the market place. One may not agree with the Douglas subcommittee that "the ethical standards of public officials are probably higher than those prevailing in business and other walks of life."⁴ But it would be difficult to deny the assertion that it is in what the committee calls the "heavily 'action-laden'" area, "where the decisions of legis-

⁴ Douglas Report, p. 11.

lators and administrators directly affect the business, or the property, or the income of particular groups or individuals," that bribery most commonly occurs.⁵ The willingness of business men unnecessarily to patronize influence peddlers, the widespread evidence that in the commercial buying and selling of goods bribery exists fairly commonly, if only in the form of giving and receiving presents, and the observable assumption of many business men that the way to sell a government agency is to give something to the contracting officials—these all suggest that the increased loan, purchase and subsidy activities of government not only have put the government "in business", but have exposed it to the ethical standards implied in such phrases as "Business is business."

"The moral standards of the country", in the words of the Douglas report, "provide the ethical environment which in turn conditions the standards of behavior of public officials."⁶ If we must wait, however, for a marked change in the moral standards of the country, we shall wait long for a decline in the incidence of improper "influence" in Washington. The "action-laden" functions of the government are not likely to become less important. This "area where integrity is most seriously threatened" is likely to remain "dangerous" for some time to come, though administrations and parties may come and go. Focusing our attention on the executive branch of the federal government, we can see considerable justification, however, for the Douglas subcommittee's feeling that we do not have to have a moral revolution in the country in order to reduce the frequency of improper "influence", at least in the federal bureaucracy. There are some heavily "action-laden" functions of government, notably perhaps the Tennessee Valley Authority, in which corruption has been nonexistent or at least so slight as to have produced no significant disclosures. How can this be accounted for?

Questions of standards of official conduct boil down to a problem of the official's identifications. That is, speculation as an end or as a means to a purely private end seems to result in large measure from officials' failure or inability to identify sufficiently strongly with the place of their own and their agencies'

⁵ Douglas Report, p. 11.

⁶ *Ibid.*, p. 7.

activities in the noble business of governing a great society. In establishing these "action-laden" functions involving wide official discretion it is as if we had created a series of courts empowered to reach momentous decisions, but without calling them courts, without designating the officials as judges, and without surrounding them with the powerful influences of procedure and ceremonial which tend to channelize the judge's identifications and which define in rather strict terms the acceptable relationships between judge and litigant. Judicial corruption is not unknown in the United States, but judges' identification with the great governing rôle of the judiciary and litigants' general acceptance of that rôle are strong enough to make such situations relatively rare. Access to a judge is prescribed by the traditions, the standards, of the judicial process, and normally one does not try to "get to" a judge except through established channels.

If this analysis is correct, it does not necessarily imply that judges are more moral as men than the average of executive officials. Nor does it imply a proposal that the executive branch should be judicialized in any literal sense. There are overwhelming reasons for regarding this as undesirable, even if it were possible. What it does mean is that we have become irrevocably committed to a range and volume of governmental activities that call for bureaucracy, and we have no alternative to constructing an executive bureaucracy that is internally as strong and self-consciously as aware of its public rôle as is the judicial bureaucracy.

Many changes can contribute to strengthening the internal cohesion of the executive branch. A requirement that all high-ranking public officials disclose the sources of their personal and family income may have some value, although its possible abuses and their effect on recruitment may outweigh any benefits from the policy. Statutory definitions of admissible conduct can be sharpened, and penalties for infraction can be increased. We can in part deny to the official who has abused his trust the disgusting defense, "I have done nothing illegal." But the danger in bribery as an end is not that it may be illegal; it is not merely that it is simply unethical; it is that the widespread perversion of public power for private ends is subversive of the confidence upon which the entire system of

government ultimately must rest. To secure that confidence negative precautions will always be insufficient. There will always be loopholes where discretion is permitted, and discretion is at the core of modern government. It will be largely fruitless, therefore, to attempt to draw a legal line between the gift or favor that is merely a courteous gesture and one that constitutes bribery in any significant sense. The danger in either case is that of developing an identification of the official with the petitioner that is stronger than that of the official with his public rôle. The bureaucracy must be protected in this sense from "more business in government", and the Douglas report is on sound ground in emphasizing the importance of "situations and institutional arrangements which aggravate pressures or make it more difficult for a public servant to act independently, i.e., to judge issues on their merits."⁷

The central objective of changes in these "situations and institutional arrangements" is to control and regularize the channels of access to official decisions. This means taking all possible steps to strengthen the career aspects of the executive bureaucracy and to build its internal cohesion. It means that we must soon abandon the practice of emergency recruitment of officials whose career aspirations lie outside the bureaucracy. "There is", as the Douglas report concedes, "danger of overplaying the 'emergency psychology' at the cost of not developing political leaders and civil servants who can deal with new problems which are in fact of a continuing character."⁸ We cannot afford to rely heavily on experts temporarily recruited from those segments of the society over which they are to exercise their expertness. Having "met a payroll" may be a useful qualification, but it is not useful if the payroll is that of an industry or enterprise over the settlement of whose claims the temporary official must preside and to which he anticipates an early return. It is not without significance that the recent disclosures have touched but slightly those segments of the public service that are most firmly established on a career basis.

The regularization of access through developing the career features of the bureaucracy also means that the financial and

⁷ Douglas Report, p. 19.

⁸ *Ibid.*, p. 21.

psychic rewards of public office must be raised to the point where the bureaucrat will be less likely to aspire to a position outside the government, especially in an enterprise or industry with which he has dealt while in public office. This involves not only increased salary levels, approximating those of private employment, but it also implies the extension and recognition of the growing practice of extending the career principle upward in the executive branch to include chiefs of bureaus and departmental general managers or "permanent under-secretaries". There will be risks and losses in such a policy. The government has acquired advantages in flexibility and ingenuity from the movement of personnel between private and public bureaucracies. But if such movement weakens identification with the obligations of public service, it must be abandoned or sharply curtailed.

Every possible step must be taken to make the ways of "getting to" public officials as nearly as possible open, known, and prescribed. When it is generally accepted that it is as dangerous and as futile to attempt to "reach" a bureaucrat as it is to "reach" a judge, the threat of improper "influence" will have been removed. In this connection the Douglas report makes much of voluntary codes of conduct for public officials and for specialized groups within the bureaucracy. Such codes already exist more widely than many citizens realize. But at best they are outward and visible signs of values supported by internal group cohesion. As the report advises, "... the group to which a code applies should have enough group consciousness and pride to make the loss of good standing within the group a severe penalty in itself."⁹ Until the public service is more firmly established as a profession and a career, codes of proper conduct are not likely to prove sufficient.

Policies that follow the general lines roughly indicated here may do much to regulate access to decision-making in the executive. But too much should not be expected of them. It should never be forgotten that the most distinctive feature of the American system of government, including the whole structure of federalism and of the separation of powers, is that it provides a multiplicity of points of access to the making of pol-

⁹ *Ibid.*, p. 36.

icy. Consider the number of different ways in which leverage can be gained for or against a governmental decision, and the problem of controlling completely the means of access to the federal bureaucracy becomes staggering. Within the states, between the states and the national government, within the party system, between the two houses of Congress, within the Congress and its diffused but powerful committee system, between such committees or their chairmen and segments of the executive branch—at all these points and at many others lie the means of influencing choices in and outside of the federal bureaucracy. This diffusion is in part a necessary and desirable feature of government in a complex, continental nation. It cannot readily be changed, and in most respects it probably should not. In its most fundamental respects, then, the problem of standards of public conduct is a problem of standards in the society as a whole. The function of government, as of other institutions in the society, is in part the symbolic one of embodying the ideals of the society. Going far beyond the mere matter of pecuniary corruption, the performance of that function, to the end of strong and stable government, depends upon the vigor of common standards of fairness and propriety. No political system can long survive in which the practices of the society deeply and consistently repudiate its professed ideals. Corruption we shall always have, but its type and incidence are matters affecting the very survival of the governmental system. Privilege we shall always have, but its forms and features must meet the standard of broad popular acceptance.

REMARKS BY THE CHAIRMAN

CHAIRMAN MUNRO: Our concluding speaker this afternoon will be Dwight E. Lee, Professor of History at Clark University, who will speak to us on "State Department and Foreign Policy".

PROFESSOR DWIGHT E. LEE: Professor Munro, Ladies and Gentlemen: When I received the copy of my program and realized I was fifth and last on the series, I wondered if the Planning Committee had not exaggerated either the patience of the audience or the dynamism of the speaker.

However, there is one hazard I do not run, as a friend of mine reminded me just before the meeting. You perhaps have heard the story of the long-winded speaker who brought one point in after another while the audience went out one after another [laughter], until there was only one man left sitting in the front row. When the speaker had finished he rushed down from the platform, shook the man's hand, and thanked him for remaining to hear his views. And the man replied, "Oh, that's all right, I'm the next speaker." [Laughter] But I shall be brief. Sometimes in going over this I have thought that perhaps I was too brief to make my meaning absolutely clear. However, those of you who heard Professor Staley this morning and particularly those of you who heard Mr. Johnson this afternoon will have a background for some of my points which I am sure will make them clear.

STATE DEPARTMENT AND FOREIGN POLICY

DWIGHT E. LEE

Professor of History, Clark University

NOT long ago I heard the following statement over the radio: "Years ago the Soviet Union ruled 130,000,000 people; today it controls 800,000,000. Who is responsible? The Truman Administration which has been more interested in promoting socialism at home than in stopping communism abroad." Though I have not yet heard it, the answer to this glib bit of political oratory might run like this: "Since March 1945, 600,000,000 people have been given independence and self-government, whereas, in the same period, the Soviet has enslaved only 550,000,000. Who is responsible for this triumph of the free world? The Truman Administration that has been more interested in promoting freedom than in preserving privilege." I hope that we will not hear such oratory on either side in the coming months, because, while the facts about the number of people sovietized and the number freed are correct enough, the ascription of responsibility is not only absurd, but positively dangerous unless we are to assume that every voter is as intelligent and critical as we are in this room.

I begin with these statements, however, because they serve to highlight two important points in our approach to foreign policy today. One, which I shall not dwell upon here, but may briefly refer to again, is the attention they call to the inter-relationship of domestic and foreign policy. Erroneous though both statements are concerning these relationships, they quite properly link the two, for national and international policies are but two facets of the same problem—how to preserve and to foster our own freedom and democracy. What we do at home helps to determine what we do abroad; and what we do abroad directly affects the policy we pursue at home.

The second point which the two statements raise, and that I want to explain more fully, is the need for perspective in approaching the assessment of our State Department and our foreign policy. Nothing could be more fatuous or stupid than to

ascribe to the present administration responsibility for what in the light of historical perspective is a problem to be faced, and not a result of United States policy. In presenting to you what I conceive to be the historical perspective with which we should approach our foreign policy, I do not in any way wish to ignore mistakes that may have been made, nor on the other hand do I think it wise or profitable to pillory individuals or the administration for past errors of judgment. The main point I want to make is that before we can arrive at any judgments we must understand something of the situation and the problems which any secretary of state or any political administration will have to face.

The complexities and perplexities of our foreign relations arise in large part from the revolutionary character of our times. The term "revolutionary age" may be used with equal force to mean political revolution in the sense of the American or French revolutions and, more loosely, to mean relatively quick and radical changes in the economic, social or political situation. In both senses our age is truly revolutionary.

Take a look first of all at revolution as a more or less violent means of establishing independence and self-government. In the seventeenth century two nations achieved independence, the Netherlands and Switzerland; in the eighteenth century, one, our own; in the century from 1815 to 1915 there were twenty-eight, mostly in the Americas; and since 1915—a little more than one third of a century—about thirty peoples have become independent, though not all by bloody revolutions, to be sure, and not all are still independent. In the past seven years alone, some fourteen new nations have emerged (all my figures are approximate—you can quibble a little), most of them having achieved their goals as a result, direct or indirect, of the World War. These thirteen or fourteen new nations are mostly Asiatic, lying in a belt from the Mediterranean to the Pacific. It is clear that the end is not yet and that tomorrow the struggle for independence will continue in Africa, as it has recently centered in Asia. Thus, we are experiencing a rising tide of nation-making, which is usually a violent process at the start.

Next, consider revolutionary overturns of old régimes in established nations. Beginning with the Russian Revolution of 1917, and not counting the numerous *coups d'état* that char-

acterize unstable political régimes, five of the world's older great Powers have experienced revolution in the past thirty-five years. The last of these is China. More than a half-dozen lesser Powers in Europe alone have witnessed violent revolutions in the past ten years. While many of these revolutions, especially in recent years, have been directed by Communists, it would be a mistake to assume that communism is the only revolutionary force in our world today. It is equally a mistake to assume that the nationalist movements today are replicas of our own independence movement. Social, economic and ideological aspects today are quite different from those of the eighteenth-century revolt of predominantly Anglo-Saxon colonies against their own mother country. But whatever the special circumstances and characteristics of each movement, the fact is that we are living and have been living for a generation in a world characterized as never before since the era of the religious wars by political ferment and instability. It is the fate of the United States that it emerged at the opening of the twentieth century from comparatively isolated continentalism into globalism at a time when old landmarks were rapidly disappearing and new trails had to be cut.

There is another aspect of our "revolutionary age" that is equally important with the political, and probably is more fundamental, and that is the social-economic revolution of our times. Our textbooks used to portray the industrial revolution of the nineteenth century as if it had ended. We know better now. It has proved to be a chain reaction increasing in speed and magnitude. Though science and the machine have transformed our lives and our world within fifty years beyond recognition, probably the most important single revolutionary feature, at least in its effects to date, is not atomic fission, but rather mass production for which we in the United States are primarily responsible. It has elevated the living standards of the masses, while the tax burdens of two world wars and their aftermaths have reduced those of the classes, so that in the whole Western World today, to quote an English observer, "there is less disparity in the essentials of life between a working-man and a Prince of the Blood than there was in 1900 between the village schoolmaster and the local squire."¹

¹ Sir Ronald Storrs, *Memoirs* (New York, 1937), p. 548.

Note, however, that these astounding developments have occurred mainly in the Western World and notably in the United States; and note further that it is largely because of their implications for modern politics that we are often uncertain concerning the present meaning of such old traditions as "freedom" and "democracy" that we seek to defend. That of course has proved to be a handicap for us in competing with totalitarian régimes which know perfectly well what they believe, or at least claim to. The Spanish philosopher, Ortega y Gasset, writing twenty years ago, paid tribute to the magnificence and exuberance of our modern life, and then pessimistically observed: "But by the very fact that its scope is greater, it has overflowed all the channels, principles, norms, ideals handed down by tradition. It is more life than all previous existence, and therefore all the more problematical. It can find no direction from the past."² While that statement is over-pessimistic, I think it has a kernel of truth in it.

The main point for foreign policy, however, is that we are dealing with a world which is not only torn by political strife, but is also not *one* world but *several*. At a time when we in the United States are mainly interested in security, and are very much concerned with working out the balance between freedom and organization in our newly developed material and social conditions, we have to deal with peoples and situations that are almost literally centuries apart from us. Figures that illustrate these differences most dramatically are those of income and energy. For example, the mechanical energy that is available in horsepower hours per day per person is five-tenths of one in Southeastern Asia whereas it is 26.6, or more than 53 times greater, in the United States. Or look at the comparative figures of income for the Arab and other Near Eastern peoples and for the Western World which were recently listed by Charles Malik in his excellent article on the Near East in the January issue of *Foreign Affairs*.³ The highest per capita annual income in an Arab country is \$140 whereas that in the United States is more than ten times as much, \$1,453. Again, it is the fate of the United States to have become a global

² José Ortega y Gasset, *Revolt of the Masses* (New York, 1932), p. 51.

³ Charles Malik, "The Near East: The Search for Truth", *Foreign Affairs*, XXX (January 1952), 231-64.

Power when the emergent masses of the world are divided not only by age-old cultures, long recognized as divergent, but also by tremendous disparities in economic and social conditions that inevitably give them a quite different outlook from ours.

This reference to the global scope of United States interests brings us to the third and perhaps more important aspect of our "revolutionary age" for approaching foreign policy. It is the sudden and unexpected shift in power relationships on the international level. It is this change that compels the United States to reckon with political, social and economic revolution throughout the world. For the first time since the rise of national states, there are but two first-rate Powers in the world. This was not anticipated as late as 1945 when, in the thinking of our wartime leaders, it was expected that there would be at least three Superpowers—the United States, Great Britain and the Soviet Union. The fears and uncertainties of recent years have been greatly intensified because Americans have discovered that, in the Near and Middle East especially, Great Britain is no longer in the category of a Superpower, and that instead of two closely allied democratic Powers there is only one, ourselves, to shoulder the burden of "containing" the apparently expansionist ambitions of the Soviet Union.

Almost paradoxically this emergence of the United States as one of the two greatest Powers on earth has been paralleled by an apparent loss of security. And this has occurred not merely because of long-range bombers and jet planes that seem to have robbed us of our oceanic and arctic barriers, although this is no doubt the aspect that the man in the street best sees; but mainly because two world wars, fought to total victory, have wiped out the losers and at the same time so exhausted the winners that the balance of power of fifty years ago has been completely destroyed. Whereas fifty years ago the United States could rely upon a relatively stable balance of power on the Eurasian continent and upon the friendly sea power of Great Britain, to-day there is one great Eurasian Power and only relatively weak or immature nations on the fringes between that Power and ourselves. The point I am making is that our emergence is not due to ourselves but is due to the decline and disintegration of other centers.

The argument that United States policy during the Second World War, or since, has been largely responsible for the emer-

gence of Soviet Russia is scarcely tenable. In so far as this country can be blamed, the guilt lies in the inter-war years when, failing to sense how vital to this country a preponderance of democratic forces was, we stood aside while Germany and Italy, Soviet Russia, and Japan attained a preponderance of military power so great that, had they combined there would have been little or no possibility of defeating them. As George F. Kennan has pointed out in his recent book on *American Diplomacy*, only Japan could have been defeated by the democracies without the aid of other totalitarian Powers; together Germany and Russia could not have been defeated at all; and "individually, either of them could be defeated only if the democracies had the collaboration of the other."⁵ When Hitler decided to attack the Soviet Union, the essential condition for the defeat of Germany was established, not by our choice, but by Hitler's. But the collaboration of the Soviet Union and the Western Powers, if carried to complete victory, as Kennan again points out, "would mean the relative strengthening of the collaborating power and its eventual appearance as a greedy and implacable claimant at the peace table."⁶ In addition, the exigencies of the military operations against Nazi Germany would give that collaborating Eastern Power large territorial possessions, with or without the inter-allied conferences of Moscow, Teheran, Yalta and Potsdam. If it is objected that without our aid Russia could not have withstood Germany and thus that the shoe was on the other foot, I beg you to study the Normandy landing operations of June 1944. There, without Russian containment of a large section of the German army, we could not have established a foothold on the continent. Our insecure position, then, as one of two great Powers with none between, is only partly our responsibility; it is one of the major elements in our "revolutionary age".

Thus, overnight the United States has had to face not only a politically turbulent world, an economically and socially distracted and chaotic world, a greatly shrunken world by virtue of the amazing progress in speed of communications, but also a completely new world in terms of power relations—indeed, a trackless wilderness of problems and paradoxes. Is it any

⁵ George F. Kennan, *American Diplomacy* (Chicago, 1951), p. 75.

⁶ *Ibid.*

wonder that our aims and methods in these new conditions have at times seemed vague and uncertain? Is it any wonder that our anxieties have at times driven us to near-hysteria in the search for scapegoats and in the angry debates over ends and means?

Nevertheless in an election year the necessity for perspective and calm appraisal is more important than ever, if we are to grow up to our responsibilities, indeed to avoid the perils of our position. Let us hope that we will not get ourselves bogged down in a slough of political recriminations—though it must be confessed that an election year is more likely than any other to produce heat instead of light.

It does seem fairly clear, however, that the old issue of isolationism *versus* globalism is dead or, at least, fading; and that neutrality *versus* containment of communism is no longer an issue as it was two or three years ago. Although there are still attacks upon personnel in the Department of State and the foreign services, a calmer and more judicious attitude seems to be replacing the excited and emotion-charged atmosphere of a few months ago. We want and we have every right to demand honest, able and loyal men in the public services, but at the same time, in order to perform their duties as they should, they must be assured that they will not be pilloried for honest observations and opinions. If they are in the wrong, let that appear as a result of reasoned debate, not emotional hurling of epithets. There can be no issue here. If we are to avoid crippling ourselves perilously, we must by all means keep open the market place of ideas both inside and outside the State Department. In the matter of personnel, incidentally, the amazing growth of the State Department and the foreign service, which is part of that bureaucratization, if you like to call it that, about which we heard this afternoon, to say nothing of other branches of government which have to do with foreign affairs, is something of a quantitative measure of the revolution in our world position. Whereas thirty years ago the Department of State and the foreign service totaled about four thousand people, today the number is well over twenty thousand. The real question, then, if there is an issue, it seems to me, is with respect to the recruitment standards, the training standards, and the efficient organization of the Department.

There can be little difference of opinion about our general interests in the world of today. They are those of a "satisfied" Power: peace, stability and security. The trouble comes when we try to spell out what that means in terms of specific situations; and when we try to assess the means at our disposal for defending ourselves. One of the major issues today seems to be the assessment of our power: What are its physical limits? Where should it be concentrated: east in Asia, or west in Europe? In what proportions should it be expended: military might, Point Four assistance, information and propaganda? How can it best be augmented: by special alliances such as the NATO, or through the United Nations? The answers are, of course, not easy.

Furthermore, it is fairly clear that we are already committed, perhaps irrevocably, to certain trends. We have concentrated our primary defenses upon Europe rather than Asia, and through NATO and OEEC have unmistakably moved our eastern boundary to the edge of the Iron Curtain. In this hemisphere we are members of the Organization of American States. In the Pacific and the Far East, our commitments are less extensive. There the United States has security treaties with Japan, the Philippines, Australia and New Zealand, thus leaving vast portions of Asia outside the ring of special United States security provisions. In the Middle East, we are still groping for a policy. There the paradoxes of our domestic and foreign policy seem to bedevil us at every turn. Is there a middle course in Iran and Egypt between British interests, which in an economic and security sense are also ours, and native nationalism which has the sympathy of the rest of the Moslem and "anti-colonial" world? What should our course be in Tunisia and Indo-China where again the pushing turbulence of economic and political discontents meets the conservative policies of France who is our ally in Europe? It is tempting to say with the late Wendell Willkie that we are not interested in preserving imperialism, because that attitude speaks a heritage from our own past. On the other hand, a moment's reflection indicates that the world, including ourselves, would be better off if revolutionary fires could be dampened down, and if the process of change could be achieved more gradually while peoples gained literacy, economic and political stability, and a greater sense of responsibility. Unfortunately

for us, the latter is not a likely solution of present world problems.

Finally, what of our relations with Russia? Should we maintain a posture of defense, rejecting every suggestion of compromise? Or should we negotiate over such issues as Germany, trade relations, Austria, and so on? At what point may the position of strength for which we have been striving be said to be attained?

This is a crucial matter, because we have historical examples of armament and alliance competitions that have ended in war instead of the peace which they were intended to assure.

The greatest danger is that in misreading our own interests and our traditions, the issue may be presented to the American people as one of resistance *versus* appeasement. Thus in repeating such sentiment as "making the world safe for democracy", "smashing Hitler", "destroying the Japanese Emperor", we might easily find ourselves as emaciated and exhausted as Western Europe was in 1945.

The lessons of the First and Second World Wars may very well be that a lofty morality backed by bayonets and pushed to total victory may not after all bring happiness to mankind or to us.

The United States today cannot afford to be caught in an orgy of moral indignation. One must look with far greater care than ever before to its interests to discover what is vital and what is subject for negotiation and compromise, to the end that diplomacy may operate effectively without resort to war.

This is important not only for our relations with Russia, but also for our relations with other Powers, great and small.

It is precisely this situation of a world in turmoil and a United States and Russia suddenly thrust onto the top rungs of the ladder of leadership that makes our outlook cloudy and our position precarious. It is this that makes more urgent than ever before a bipartisan policy not in the sense of agreement without debate, but in that of a consensus after an honest and thorough examination of our interests and the best ways to defend them. You will note that I have confined myself to the easy rôle of painting the backdrop and raising the questions. It remains for citizens and statesmen to formulate the answers—the former to agree upon the over-all objectives, the latter to work out with the experts the details of daily tactics.

DISCUSSION: POLITICAL ISSUES OF THE CAMPAIGN

CHAIRMAN MUNRO: These five thoughtful papers will have raised a good many questions that some of you I am sure will want to ask. We have a few minutes in which to raise them.

MR. HUDSON: Mr. Chairman, I would like to ask Dean Hacker if he would care to speculate on the future of parliamentary government in Britain now that the characteristics noted by Lord Balfour have somewhat lessened. I have in mind, for example, the possibility that I see of something such as steel nationalization becoming a football, and the industry changing hands after each election so that stable conditions will not exist in that industry.

DEAN HACKER: The question in general is, what is the future of parliamentary government in Britain now that the general condition formerly laid down by Lord Balfour—that there is no wide chasm existing between the two parties—has largely disappeared? I take it I present your statement fairly.

MR. HUDSON: Yes.

DEAN HACKER: It is easy in answer, if I may, to state simply that there is no wide chasm. That is to say that the conduct of Mr. Churchill during the last election indicated quite clearly that the essential accomplishments over the last several decades, by both the Conservative and the Labor governments, he recognized as *faits accomplis*; the responsibility has been accepted by government for the maintenance not only of employment and for the creation of social benefits, but indeed, as has been alluded to by Mr. Lee, for a more effective, a more equitable distribution of income.

We must not forget that long before Mr. Churchill there were Tory socialists. Indeed Mr. Disraeli did not object to the title. I am prepared to assume that Mr. Churchill, at the present time standing for conservatism, does not deviate very sharply from the accomplishments that are now firmly imbedded in the British system.

MR. PIPER: I would like to ask Professor Lee whether he could suggest the middle road which he spoke about, the colonial peoples achieving their own social and nationalist aspirations within economic and security interests of the Western World.

PROFESSOR LEE: That, you see, is the hard one which I did not attempt to answer. I have only these suggestions. I think, looking at the business from the point of view of a long-term trend, there is everything to be said on the side of getting behind these people and helping them to emancipate themselves and realize genuine self-government.

However, the dilemma which we happen to be caught in is that it looks as if, as long as we consider ourselves to be in an emergency (and that, incidentally, needs careful examination), we need the help of the Powers which are the ones against whom these people are striving. Therefore, it seems to me that the middle way is to try to work on both parties toward a moderate solution as possible.

It is just my guess that that would be the kind of middle policy which we would be compelled to take. I think in general the sympathies of the American people are on the side of the struggling peoples. Certainly mine are. However, that is what I have in mind when I say we cannot be too sentimental about this business; we have to figure out what our interests are in each situation. At the present moment we are concerned with both parties. Hence our rôle is to try to get them to come together.

MRS. WALLIS: My question is to Mr. Johnson. Why is he so opposed to Bergdorf Goodman's and General Motors? Does he want to go back to the surrey with the fringe on top and the country dress-maker? Does he want to go back to the horse and buggy days?

MR. JOHNSON: I do not think that I can answer that question, because I have no jurisdiction over such things. My family is going to Bergdorf Goodman whether I like it or not. [Laughter] If you would inquire of the lady who runs the household, I think she would answer that she has not the slightest intention of ever going back to any horse and buggy days. And if that requires a lot of protection by the federal government then the federal government must give it to us. I will go along! [Laughter]

MEMBER: Dean Hacker made the statement that with twenty years in office the Democratic Administration necessarily has to become corrupt to some extent. I want to know why that is necessarily true.

DEAN HACKER: I did not say it had to. Apparently it seems to be a characteristic of a party long in office.

There is no doubt that in the first flush of victory a party attracts to itself talents, ambitious young persons, men and women of ideals.

But as a party continues in power, increasingly the persons who stay in office remain the tired placemen, the anonymous time-servers, the "yes" men who are worried about the necessity for making decisions, and the rest. In other words, those persons regard politics, not as a public service, but more as a livelihood.

Tiredness necessarily sets in with any long term in power, and frequently we simply say in an election, "Let's throw the rascals out." And when the newcomers have been in power for a little length of time, then we raise the same cry again.

It seems to me that at the present moment—and this is without prejudice—the nature of the leadership in the Democratic party is very much lower than it was in the first administration of Franklin D. Roosevelt.

CHAIRMAN MUNRO: Are there further questions? If not, I am sure you all feel as I do, very grateful to these five gentlemen for giving us an extremely interesting and enlightening afternoon.

PART III

INFLATION AND FREE ENTERPRISE

W. RANDOLPH BURGESS, *Presiding*

Chairman of the Executive Committee, National City Bank of New York
Member, Board of Directors, Academy of Political Science

GUESTS OF THE ACADEMY, Ladies and Gentlemen:
Tonight I am substitute for the distinguished President of the Academy, Mr. Lewis Douglas, who sends us from Tucson, Arizona, this message to Dr. Grayson Kirk:

Deeply regret my absence tonight but send this inadequate note of greeting to members and guests of the Academy. I am with you all in absentia.

If I hear no objection, the officers of the Academy will send a greeting to our President.

Tonight's meeting follows a full day of discussion, after the precedent of the Academy. I think it is always well once in a while to turn the hands of the clock back and think of the purposes of the Academy and its origin.

You know that the Academy had its birth on a battlefield of the Civil War when a young man, a future professor at Columbia, was on guard duty. And soldiers on guard duty have plenty of time to think.

The thing he thought about was how we could avoid another war. And when he got back to Columbia, John Burgess, later a distinguished professor (no relation of mine, I may say—I wish he were!) founded the Academy of Political Science in the hope that through its discussions the affairs of men might be more straightly steered, and that we might avoid conflicts.

His purposes in that regard have not been fully fulfilled in terms of the avoidance of conflict, but they have been fulfilled in the creation of an organization which has always produced fruitful discussion and has given to us all a better understanding of the affairs of the day.

The Academy as it has developed has provided one rather unique feature. It is a union of the academic and the people of affairs; of theory and of the practice of that theory. It is a joining of the people of Columbia University and the people who are working in this city to try to make realities of some of the ideas.

Whether you are a teacher or a person of affairs, I think you will agree with me that in recent weeks two very disturbing events have occurred. One of them is the submission by the President of the United States to the Congress in a year of great prosperity, in a year of full employment, in a year of record levels of business, of a heavily unbalanced budget.

It is true that the budget is weighted with defense expenditures, but even taking that into account, I think to all of us the budget was shocking.

More recently still has occurred the seizure of the steel companies on very dubious legal grounds.

Tonight we are fortunate in having with us as speakers probably the two best men in America to discuss those great events and give us their analysis of them. The first speaker is a member of the Academy. He was graduated from Yale forty-five years ago in 1907, from the Harvard Law School in 1910. He is one of that select group of young men who served as secretary to Mr. Justice Holmes, and, as you know, Mr. Holmes followed the practice of taking the very best from the Harvard Law School each year and letting them sit at his feet and learn the law.

In 1917 Irving Olds became a partner of White & Case, one of the youngest men ever taken into the partnership of one of the large New York law firms.

During World War I he was active in facilitating the arrangements by which large amounts of munitions were bought for the British and the French before our entry into the war, and after it.

When Edward R. Stettinius was called to Washington as Assistant Secretary of War, Irving Olds went with him and worked with him in the War Department. He became a director of the United States Steel Corporation in 1936, and its Chairman in 1940.

Those are the records that are printed in *Who's Who*. What one really wants to know is, what manner of man is this? And there one turns to his extracurricular life, and you find that he is a trustee of the Cooper Union, which has done distinguished work in educating just people; he is a Fellow of Yale; he is a director of the Metropolitan Museum; he has for years been interested in the New York Institution for the Education of the Blind. He was a director of the National War Fund in World War II.

We know him as a quiet person, as a careful person, as a modest man who likes to put on his old clothes and go fishing. I think, ladies and gentlemen, that you can place absolute reliance on what Irving Olds tells you tonight.

I have very great pleasure in introducing him to you.
[Applause]

INFLATION OR FREE ENTERPRISE

IRVING S. OLDS

Chairman of the Board, United States Steel Corporation

I HAVE been asked to discuss "Inflation and Free Enterprise" as an issue in the coming campaign. That is a broad topic which clearly should call for a very profound speech, but it has been said that a profound speech is one which leaves both the speaker and his audience in a state of complete confusion. And I find myself somewhat embarrassed by the fact that the confusion which has emanated from Washington on this subject is already complete. [Laughter] Nothing I can say could possibly add to that confusion; and if any man is capable of subtracting from it, that man is the *other* speaker on this program—the Honorable John Taber. [Laughter] So I shall rely upon him, confidently, to do the subtracting.

For my part, I am simply going to discuss this issue in the pitiless—and pitiful—light of experience. As a steel man, I *am*, perhaps, qualified to do that.

Experience, you know, is what you have left after everything else has been lost [laughter and applause]; and we, in the steel business, have had plenty of experience recently. Inflation has cost us our shirts; and the President has taken our plants. [Laughter and applause]

Reduced to such extremities—I submit—no man can be profound.

So let me say, very simply, that inflation—and the policies through which our government is supposedly trying to deal with it—constitutes, in my opinion, the most critical issue in the coming campaign.

It is not a matter of inflation *and* free enterprise; it is a question of inflation *or* free enterprise. We cannot have both. They are incompatible and irreconcilable. They cannot even exist, side by side, in the same economic climate. The experience of man, throughout the ages, has proved that conclusively.

The pages of history are filled with the obituaries of the

once-great nations which have been ravaged by the disease of inflation; and in every case that I have discovered, the malady has begun in the same way and has run the same, identical course to the same disastrous conclusion.

Inflation invariably is government-produced. It originates with the profligate expenditure of government funds and it always follows war, because war, of course, is the most wasteful expenditure of a nation's resources—financial, material and human.

The disease strikes when the government's income is no longer sufficient to meet these prodigal expenditures. In an effort to stave it off, the government usually levies confiscatory and ruinous taxes upon its most productive citizens; but when these taxes can no longer produce enough revenue to pay for the nation's extravagance, the government does one, or both, of two things: it debases the coinage through outright devaluation; and it issues printing-press money—either directly or through the indirect method which has found favor with our own Administration here at home. At this point the first symptoms of inflation appear quickly.

The supply of money is suddenly and greatly increased; but there is no corresponding increase in the supply of goods and services that the people wish to buy with that money. So the price of everything in the market is bid up higher and higher. But as the cost of living goes up, the people demand more and more for whatever they have to sell—be it their labor, or their products and services. And so begins the endless wage-price spiral which is the inevitable consequence of inflation.

The government, too, of course, is soon caught in this spiral which it has started. Its own expenses rise and its deficit grows. So it resorts to more inflation, prints up more money, and raises taxes still further, if possible. Then the people begin to realize that a dollar saved is fifty cents lost; and the critical stage has been reached.

Inflation and taxation, together, quickly despoil the accumulated savings of the people, and destroy all further incentive to save, to invest, or even to produce. Without new capital there is no way to buy new tools of production, except out of profits; and profits, of course, have been largely eaten—or taxed—away.

So at this point the patient is clearly *in extremis*. The government sends for its High Priests of Economic Mumbo-Jumbo and instructs them to find a cure.

Now I do not know what devilish perversity of human nature is responsible for this fact, but nevertheless it is a fact that, for about 4,000 years, these Economic Witch Doctors have invariably come up with the same prescription.

They report solemnly that the nation is suffering from high prices; and that prices must therefore be frozen. Thus, instead of attacking the disease at its source, they seek merely to suppress its symptoms. It is a good deal like putting a pneumonia patient into the deep freeze in order to bring down his fever. And the results of the treatment are invariably fatal.

Control is substituted for competition. The free market is abolished. Profits are wiped out by rising costs. Without profits—and with no new sources of capital—producers are soon unable even to *replace* the tools of production as they wear out; and without these tools of production, labor is no longer able to produce in quantity.

So the supply of goods and services begins to decline sharply. Merchants—refusing to sell goods below cost—withdraw them from the market and hoard them for their future security. Critical shortages develop. Large segments of the population begin to suffer want, privation, and even hunger. Black markets appear. Controls are piled upon controls. Property is seized. The rulers usurp dictatorial powers; and whatever democratic rights the people may have enjoyed are first suppressed and finally crushed. The police state becomes supreme. And what happens to the patient after that is really of no consequence. For “freedom” is dead!

That is a dark and depressing picture; but it is the clinical history of inflation and controls throughout the ages. It is an accurate composite of the recorded experience of man in all the nations where inflation has been allowed to run its fatal course.

The wages of economic sin are debt and taxes; and every time history repeats itself these days, those wages go up. So I shall dwell no further upon the history of the ancients. I shall merely observe that inflation destroys not only free enterprise—it destroys all economic and political freedom as well.

It has done so since the days of Babylon. It is still doing so today in America.

Here at home, of course, our inflation was not only government-produced—it was government-planned. It was adopted, deliberately, as an instrument of national policy, and as an antidote for depression. That was in 1933 when our government devalued the dollar, not as a means of financing any past extravagance, but rather—I suspect—in contemplation of the future fiscal demands of a welfare state.

Then, in accordance with the dictates of what it ironically called a "Planned Economy", our government threw economy to the winds, went into debt, and met its deficits by the roundabout issuance of printing-press money.

I think the situation in those days was summed up best by a conversation between a couple of waiters who were discussing the devaluation of the dollar. One of them said:

"Sam, if dis heah dollah has only got 59 cents worf of gold in it, what's de othah fo'ty-one cents?"

Sam scratched his head for a moment and said: "Well, ah don' rightly know, but ah reckon it's mos'ly powdahed eggs." [Laughter]

And that's how it's been for nearly a fifth of a century now. We've been sitting with our powdered-egg dollars on the powder keg of inflation. Yet for a number of years, nothing much happened; and back in 1940, if someone offered to bet you dollars to doughnuts, he was still giving you odds. [Laughter]

Then came the war; and the powder keg went up.

The supply of money increased rapidly. Civilian production was cut back severely. Taxes discouraged investment. Shortages became alarming; rationing was instituted and black markets appeared. The Economic Witch Doctors came through with their age-old prescription for wage and price controls; but the cost of living went up just the same—and so, of course, did the cost of *producing*.

Under the political pressure of organized labor, the government then began to relax its wage freeze, but, in the absence of an equally powerful political pressure from investors, it clung to its price ceilings as closely as it could. By the end of the war, for example, our steel prices had gone up only about one per

cent, but our steel wage costs had gone up about forty-six per cent; and profits had been squeezed to the bone.

Deprived, during the war years, of profits for reinvestment in the business, and with little or no new capital to be found in the market, producers were unable to expand their plants and facilities enough to meet the national necessity. So the government had to build its own defense plants in many cases, and to pay for them, in part, by watering the currency some more.

Thus we came out of the war with a public debt of more than a quarter-trillion dollars; with our money supply inflated to nearly three times its former size; with a tremendous pent-up demand by consumers for civilian goods; and in a strait jacket of economic controls that virtually destroyed all incentive to invest in new tools of production.

Our economic future looked dark indeed—and would have been, I think, had the American people not turned back, almost instinctively, to the ways of free enterprise. Shouting a resounding “NO” to the prescriptions of the “witch doctors”, they forced the repeal of price controls and the removal of some of the most burdensome taxes on business and investment.

The result was miraculous. Prices rose to meet production costs. Profits were partly restored. Incentives existed again, and capital started to flow back into the construction of new factories and furnaces. Obsolete and worn-out machines were junked and replaced by new ones. Production increased enormously and the supply of civilian goods began to catch up with the backlog of consumer demands.

But an even greater miracle occurred, meanwhile, in Washington. It was worked by the much-maligned Eightieth Congress, of which, I am sure, our friend John Taber is still very proud to have been a member. You may recall that the President described the Eightieth as the “second worst Congress in American history”; but you may *not* recall that *that* was the Congress which balanced the federal budget for the first time since the New Deal had come into power. [Applause]

Yes, it cut federal spending, wiped out the deficit, produced a budget surplus, and began paying off the public debt. For two whole years it stopped the flow of printing-press money. Thus, it attacked inflation at the source, and stopped rising prices in their tracks.

By 1949 the cost of living had started to come down, and it kept on coming down. Production caught up with demand, and there was even talk of a "recession". And though millions of people, dependent on fixed incomes, could never hope to recover the losses they had suffered with their powdered-egg dollars, inflation itself had been licked. It had been licked NOT by price controls and a police state. It had been licked by American enterprise and by a freely elected American Congress that refused to act as a rubber stamp for the Witch Doctors.

And so it was—until Korea. But now it has started all over again. Another huge deficit is in the making. The printing presses are beginning to roll. Confiscatory taxes have been heaped upon productive enterprise and on investors. Price controls make expansion almost impossible. The Witch Doctors are back in the saddle; and politics rules the day.

From Ancient Greece to New Deal America, the story is the same; but if we, as a nation, are capable of learning anything from experience, then surely we can no longer remain blind to these two fundamental facts about inflation.

First, that inflation must be stopped at its governmental source—that government alone can do this, and that it can do this only by balancing its budget, by living within its income, and by exercising, wisely, its powers to prevent the inflationary expansion of private credit.

Second, that the damage done by inflation can never be overcome retroactively; but, to the extent that it can be ameliorated, this can be accomplished only by increasing the efficiency of the production of goods and services. To do that, we must have more tools of production—more factories, machines and raw materials. That means we must have more capital to buy these tools of production. And capital—remember—comes chiefly from two sources: from new investment and from the undistributed profits of enterprise.

So it all boils down to this:

Anything which increases the federal deficit is inflationary, and is therefore undesirable. And anything which discourages private investment will curb production, and is therefore ruinous; because production is *still* the best answer to high prices. That, of course, is why rabbits are cheaper than mink! [Laughter]

So with these two inexorable economic laws in mind, let us now see where our present governmental policies are leading us. And here again, ladies and gentlemen, I am going to draw heavily upon experience—the experience with which I am most familiar—the experience of United States Steel; but remember if you please, that what is happening to *our* business is also happening—or may well happen—to every other business in America.

Since V-J Day, United States Steel has spent more than a billion dollars on the tools of production. It has already approved the future expenditure of three-quarters of a billion more for this purpose. Where is that money to come from? Well, in answer to that question, let's see how our investors are faring.

For every dollar we paid in dividends to our common stockholders last year, we paid five dollars in taxes to the federal government. But that is only the *first* tax on our earnings. One of our shareowners—who is in the top income-tax brackets where new capital should be most readily available—wrote me the other day saying that out of every dollar *he* received from us in dividends, he had to pay 90 cents to the federal government in taxes. So, in the end, he got 10 cents out of the \$6.00 we earned before taxes, and the federal government took the other \$5.90—or *fifty-nine* times as much as he retained.

Yet a voice on the radio from Washington told you the other night that this entire \$6.00 was profit, and it led you to believe that this \$6.00 belonged to the owners of the business who could well afford to give a large part of it to labor in the form of higher wages.

Well, when we have that kind of misrepresentation in Washington—and when the government is getting from five to fifty-nine times as much of our revenue as the owners of our business receive—I can only say that our prospect of getting new capital on any reasonable or economical terms is mighty bleak indeed.

But our chance of expanding our productive facilities out of profits is becoming even bleaker. In the first place, much of our so-called profit now has to be used merely to replace the existing tools of production as they wear out. Let me show you how it works:

In 1939, it cost us about \$2,000,000 to build a new blast furnace; and over the useful life of that furnace, the govern-

ment permits us to set aside that \$2,000,000, in installments, as depreciation.

But if that furnace were now worn out, and if we had to replace it today, it would cost us more than \$5,000,000 to do so. That means that better than \$3,000,000 would have to come out of our profits *after* taxes. But the top tax rate applicable to our business is now 84 per cent. So to get \$3,000,000 of profit *after* taxes, we must collect \$19,000,000 from our customers *before* taxes.

Nearly \$16,000,000 of that money goes to Washington in taxes. The rest goes up in the thin air of inflation. Not one penny is left for the owners of our business. Not one penny is left to spend on the expansion of our facilities. And, when we are all through, our iron- and steelmaking capacity has not been increased by so much as a single ton.

Yet that voice on the radio from Washington told you the other night that this entire \$19,000,000 was *profit* and that we must give a large part of it to labor.

And now, of course, that same voice has seized our properties in order to compel us to pay labor more money for doing less work. Collective bargaining has been replaced by compulsory governmental mandate, without any authority from the Congress.

Let's see exactly what this policy means to us and to the people of America.

It means, first, that labor will have hundreds of millions of dollars more to spend, but will produce no more goods and services on which to spend it. So the upward pressure on prices will increase enormously, and up goes the cost of living.

Moreover, every dollar of that wage increase which comes out of our profits means one dollar less to spend on the expansion of production and on the development of the new sources of raw materials which our nation may need so desperately in the event of another war. So the supply of goods and services will lag still farther behind consumer demand. That means more upward pressure on prices and up goes the cost of living again.

But even that is not all.

For every dollar of profit we lose, as a result of such a wage increase, the federal government will lose about *five* dollars in taxes that it otherwise would have collected from us. And as

similar wage boosts spread through industry generally, as is inevitable, that means a dangerous reduction in federal revenues. It means a ruinous increase in the size of the federal deficit. It means more printing-press money. And it means another crippling round of inflation.

My friends, if our foreign enemies were themselves in control of our government today, they could not have devised a policy more disastrous to our economy, or more destructive of our freedoms, than the policies which have been forced upon us by our Washington Witch Doctors with their medieval nostrums.

Inflation can be stopped by American enterprise in the free American way. It can be stopped by an American government that is truly responsive to the needs of *all* of its people. But it can never be stopped by self-serving politicians who use freedom as a football and make private property their plaything!

There are men in Congress today—men of both political parties—who are striving honestly to stop government waste, to balance the budget, to encourage investment, to stimulate production and to crush inflation. But they cannot succeed without the outspoken help and vigorous support of the citizens of America.

Whether they are to get that help and support is—to my way of thinking—*the* campaign issue of 1952. It is up to the American people. The choice is theirs.

Inflation or Freedom.

Which shall it be?

[The audience rose and applauded.]

REMARKS BY THE CHAIRMAN

CHAIRMAN BURGESS: You may have noted, ladies and gentlemen, the little instrument at my left which is labeled "N.B.C." It is a rather embarrassing instrument to have around. I will relieve your minds by saying that we have not been on the air, but N.B.C. has been making a recording of Mr. Olds's address, and I am glad to say that that fine address will be rebroadcast later this evening. So that after we get through this meeting, if you want to hear it again you can rush home and turn on your radios. [Applause]

I am sure you will agree with me that Irving Olds's broad analysis of the disease that has us by the throat was much more effective than as though he had simply spent his time on an analysis of the steel business. It is a basic disease, and not just a single event. He has pointed out to you very truly that the root and heart of that disease is in government spending. And so we turn to the budget.

The budget has been out of control. In the old days when we were a little country and spent only a billion dollars a year, we spent it for things that were mostly pretty well known—for roads and post offices, and so on and so forth. And when the President submitted his budget we would all look at it; and it was comprehensible; it was in those days a very small document.

That budget has grown up now. The document is as large as the New York City telephone book, and it has become as incomprehensible as jibberish to most of us.

Behind the budget there is a group of book salesmen. Each department has its corps of workers whose business it is to sell that budget, and they come to Congress with charts and with supporting data as well as with eloquence. They send out their releases to the press, and the poor Congress has a small committee in each House. And it has a pitiful staff of three or four people, who stand before this avalanche of the budget that is pushed upon them.

Well, there is one man who has not been abashed by that process, who has kept his sword in his hand and has flailed about him and done a job with that budget. He understands it as few others do. The man is John Taber. He was born in Auburn, New York, and that has been his home ever since where he has practiced law.

I find that there is a sort of conspiracy here. As a matter of fact, we have been anticipating the Yale Commencement for this year, for John Taber went to Yale also, and he is of the class of 1902. Everybody will tell you this is his fiftieth anniversary at Yale. He had

been graduated a year when Irving Olds came to the campus. So we are here celebrating the fiftieth and the forty-fifth anniversaries of two of the most distinguished graduates of Yale, and I hope that President Griswold will not be too jealous of our having taken away a part of his prerogative.

John Taber went from Yale to the law school of New York University. He is a bank director, I am glad to say, of the Auburn Trust. He was a judge in Cayuga County from 1911 to 1919, and then his real career began, for he has represented that District from the 68th to the 83rd Congress. And during a major part of that time he has been either the Chairman or the minority leader of the Committee on Appropriations.

He has done a tremendous job. I believe that he has saved the American people, the American taxpayer, more billions of dollars than anybody living today. [Applause] When you read in the paper—in the editorial column or elsewhere—as you often will, that the Congress is very much to be reprimanded because it is using the wrong method of cutting government expenditures, that is a sign that John Taber has been at work; and it is a sign that the high priests of spending are touched to the quick. And so they got out their poisoned arrows and have shot them in all directions.

To my mind, John Taber, in terms of the soundness of the American dollar and dealing with the broad disease that Irving Olds has described, is the "noblest Roman of them all!" I am delighted that we have him here to do him honor for what he has been doing and what he will continue to do for the American people in the American Congress. John Taber! [Applause]

INFLATION AND THE NATIONAL BUDGET

THE HONORABLE JOHN TABER

Member, Appropriations Committee
United States House of Representatives

I AM going to talk to you tonight about the financial problems of the government. We have at present a national debt of \$254 billion. In the present fiscal year ending June 30, 1952 the President estimates an expenditure of \$70 billion and revenue of \$62.5 billion, which means a deficit of \$7.5 billion if it works out that way. For the next fiscal year ending June 30, 1953 he estimates expenditures of \$85.5 billion and revenue of \$71 billion—a prospective deficit in 1953 of \$14.7 billion. The requests for appropriations for 1953 including the deficiencies for the balance of 1952 run \$87,276,000,000. It is absolutely necessary that we go over appropriations very carefully and, in so far as we can intelligently do so, reduce the estimates which the President has submitted. The Congress has so far reduced the 1953 requests in the consideration of \$67 billion by \$6,401,000,000 in the House of Representatives. We are hoping to increase this figure very substantially in the bills to come. I hope that the reduction, including whatever reduction there may be in the President's final estimates, below his original figures, will be as much as it was last year or \$10 billions.

The total requests are as I have said \$87,276,000,000. Last year the reductions, including the drop that the President made in his original request figures, were \$10 billion. If we can reduce the appropriations to \$77 billion we will have gone a long way toward balancing the budget for the fiscal year 1953. As things look now, it is rather apparent that the estimate of receipts of \$70 billions for the fiscal year 1953 is large. The estimate of \$62.5 billions for receipts seems not very far from the mark at the present time. It is the inflation more than the increases in the tax rate that is increasing the tax revenue, and it seems the Administration may have anticipated much more inflation than has actually developed so far.

Now, I think I should go into some of the history of appropriation bills. I realize that it is necessary to have public sentiment back of us if we are going to cut appropriations. I

realize that we must have an approach to this problem where, if we are to have honest government, the newspapers and those who are fighting for governmental economy must tell the people the truth. One outstanding example of the difficulty that we run into was the so-called Marshall Plan Program. There, a request was made of the Foreign Relations Committee in the Senate and the Foreign Affairs Committee in the House for authority to conduct this operation on a \$6 billion basis from the first of April 1948 to the first of April 1949.

The Congress, on the recommendation of its Committees on Foreign Affairs, cut the amount authorized to \$5 billions but left the period the same. I was then the Chairman of the Appropriations Committee in the House. I was approached by the representatives of the ECA and the State Department and the Defense Department, and the request was made that I put through the appropriation without anything beyond formal hearings. I knew and told them that there was no real developed Marshall Plan—that it was largely ephemeral—that they did not know what they wanted to do or how to do it. I insisted upon complete hearings and, day by day, as the bill was before our Committee the Marshall Plan was developed—largely through the night work of Paul Hoffman and Paul Nitzi of the State Department. When we finished with the hearings we had a very good idea of what should be done. The Appropriations Committee recommended extending the period of authorization from 12 to 15 months so that it would cover the period from April 1, 1948 to June 30, 1949 and reducing the amount from \$5 billion to \$4 billion.

For this action, we were abused up and down the east coast and by the gullible feature writers who had no idea of what the thing was about and by a group of politicians who were anxious to get more money out of the Treasury. The trouble was that we knew something about what we were doing and they did not. There was no honest approach to the problem on the part of most of those most active in foreign affairs.

The bill went through with the \$4 billion appropriation but with a proviso that would permit the President to spend all of it by May 15, 1949. The \$4 billion was not even obligated until November 15, 1949 or after it had been running for 19½ months, instead of the 15 months that we had provided for.

We had the same trouble last year when more than \$600 million was provided for foreign relief that should not have been provided. We have had the same trouble every year that foreign relief has been in vogue.

I am asking that there be an honest approach to this problem so that what is right should be done.

Let me say to you that the isolationists are those who want to make indiscriminate appropriations and it is about time they came to realize that, because they have built up a tremendous isolationist sentiment in this country by taking such an untenable position.

There are certain people who have promoted special interests and subsidies for them. There are the agricultural politicians who have promoted the paying out of from \$300 million to \$400 million a year for subsidies to farmers either in cash, lime or fertilizer and who are still hanging on to an estimate of about \$250 million.

There are those who have promoted public housing and they have managed it in such a way as to cover up a large portion of the money that has been provided and pledged. Eight hundred thousand units of public housing have been authorized and at an average subsidy of \$32.50 per month for each unit, and by that I mean each space capable of housing a family. We would get, if all the 800,000 units were permitted to be constructed, a treasury burden of \$312 million a year for forty years.

Is it not about time that the people began to wake up and realize how ridiculous this situation is and how these things must be controlled, if we are ever going to be able to provide the funds for the successful defense of the United States?

I might ask you to look for a moment at the picture of flood control. The President stated the other day that it was the fault of Congress that the Missouri River flood was as much of a menace as it is. What are the facts?

The Congress has appropriated funds, beginning in the early forties, for the construction of the Garrison Dam in the upper Missouri. That was started on the recommendation of the President, but the dams below the Garrison Dam have all been started on the recommendation of the Congress alone—that is the Oahe Dam and the Fort Randall Dam. Without any recommendation from the President or the Budget Director,

funds in very large amounts have been provided for the continuation of the construction since these dams were started. Last year \$37 million was provided for the Garrison Dam; this year \$30 million. The appropriation for the Fort Randall Dam was \$32,699,000 and this year \$30 million. More funds have been provided for all of these dams than have been spent in each year. These two dams, if they were finished and used for flood control, would have absolutely prevented any damage. The power feature of these dams cannot be had in any substantial measure if we are to have flood protection and it is about time that the President and the Engineers realized that.

A lot of foolish talk has been injected into the situation with reference to the military bill. Let me say to you that the cuts on that bill were made after a very, very careful study. The cuts on the floor were all offered by people who had served on committees so that they knew what they were doing. The cuts that were made that would apply directly to the expenditures in the fiscal year 1953 total \$2,424,500,000. The reduction in the limitation on expenditures for 1953 contained in the Smith Amendment which was adopted brought those expenditures down from \$48.5 billion, as estimated by the President when he submitted his Budget, to \$46 billion for a total military expenditure for fiscal 1953. The limitation on prospective expenditures brought about by the Amendment was therefore only \$75 million more than the cuts already made in individual appropriations which would have to be expended in the fiscal year 1953. This could not possibly mean a slowing up of more than two weeks in any activity. Anyone who will take a pencil and paper and figure it out can see that there is no justification whatever for the loose talk that the President and some other people have indulged in criticizing the Smith Amendment and saying that national defense was imperiled. The Amendment, which by the way is an outgrowth of the agitation which was started in the Congress by Representative Frederic Coudert of New York City, was necessary to keep expenditures from running wild. It was the only way that Congress had of regaining the control of the purse.

You will ask me what I would propose to do in order to give the Congress a better insight into what it has to do.

When I took over the Chairmanship of the Committee on Appropriations in 1947, I made use of the staff which Mr. Cannon, who had been Chairman of the Appropriations Committee, had established. In addition, I called in a large number of certified public accountants, business analysts and people with experience in government financing. As a result of the work that those men did—and we had as high as sixty on the payroll at one time—the Congress was able to cut the appropriations to such an extent that we were able to save, with our recoveries, over \$9 billion in the two years of the Eightieth Congress. Since that time the staff has been completely destroyed and in its place is a group of people assigned out of government agencies—and very few others—who have done a little investigating but who have not covered the ground that they should be covering nor have they covered it in the way that it should be covered. It is absolutely necessary, if we are going to do an intelligent job, that we have the right kind of a staff. It is necessary that that staff coöperate completely with the members of the sub-committees who are in charge of the work upon the various bills so that they may have the advantage of knowing what the members have been able to find out. It is necessary that we have a staff and the power to go into the different departments and find out the truth. We have not had that kind of a staff the last four years. If we are going to have honest government and the Congress is going to be in a position to find the places where the funds of the people of the United States can be saved, the Congress must have that kind of a staff.

For my own part, I do not favor the one-package appropriation bill. It makes it absolutely impossible to bring about the reductions which should be made in the appropriation bills. I do not believe that we can have a limitation placed upon the budget as a result of joint action of the two houses of Congress in accordance with the Legislative Reorganization Act and have it an asset to reduce appropriations because it throws the men who are anxious to reduce appropriations into the fray before we have had the hearings on the appropriation bills and can know the merits of each. It simply provides a sounding board for the spenders. That is the experience that we had with two years of trying to work it out. I, frankly, do not believe that the establishment of a Joint Committee on Expenditures would

be an asset. I do not believe that they would go into the things as thoroughly as would the appropriations committees and the individual expenditures committees in the House and Senate. The real results in reducing appropriations have come this year—and will come—primarily as a result of those things that are brought out in the hearings before the House Committee, supplemented by the work of the expenditures sub-committees composed of such men as served upon the Bonner Sub-committee of the Expenditures Committee.

I have deliberately gone over with you many items of a controversial character because I hope that the people generally might have a knowledge of just what the facts are and I hope that, knowing those facts, they will stand for honest government and realize that we are facing in this country the problem of keeping our expenditures down to the point where we will be able to raise the money to pay for them. Perhaps it cannot be done this year. I hope it can be done in the fiscal year 1953. I hope that people will take an active interest in keeping those expenditures down.

One of the most discouraging things that we have to go up against is to have people come before the House Committee in Executive Session, and tell us what the situation is, and then to have them go out on the platform or in the public press or before another body and make statements which are contrary to what they have told the House Committee. It is time for the people of the United States who wish to save our country and our liberties to wake up and to meet their responsibilities.

Continued deficit spending means a continued unbalanced budget and that means uncontrolled inflation. If the Congress does not meet its responsibilities and make the cuts, inflation will make a 25 or 30 per cent cut where perhaps a 10 or 15 per cent cut could be made if it were made directly by the Congress. I appreciate that it is exceedingly difficult for beneficiaries of federal funds to accept cuts. I appreciate that most of those beneficiaries denounce the man who is trying to save his country and bring about those cuts. I expect those whose first thought is not the maintenance of our liberties but selfish politics to continue to try to destroy the American system of free enterprise which has made the United States the greatest nation in the world.

Remember that when they make these dishonest and ridiculous criticisms they are not only failing in their responsibilities as citizens but they are trying to destroy that which every patriotic American loves the most.

[The audience rose and applauded.]

REMARKS BY THE CHAIRMAN

CHAIRMAN BURGESS: Well, ladies and gentlemen, we know that at least one person in this room is doing something about it.

And, John, we'll try to stand back of you.

Before adjourning the meeting I want to express the appreciation of the Academy to the two who gave us such thoughtful addresses this evening, and to all those who during the day have led the discussion and given us one more chapter in the interesting history of the Academy of Political Science.

The meeting is now adjourned.

PROCEEDINGS OF THE ACADEMY OF POLITICAL SCIENCE

- Vols. I-II.** All issues available, except No. 3 of each of these volumes.
- Vols. III-XI.** All issues available, except Vol. VI, Nos. 2 and 3, and Vol. IX, Nos. 1 and 2
- Vol. XII.** No. 1. International Relations and Problems, 500 pp. (July, 1926)
No. 2. Problems of Prosperity, 145 pp. (January, 1927)
No. 3. Stabilizing Business, 152 pp. (July, 1927)
No. 4. America as a Creditor Nation, 173 pp. (January, 1928)
- Vol. XIII.** No. 1. Fact-Finding in Labor Disputes, 194 pp. (June, 1928)
No. 2. The Preservation of Peace, 131 pp. (January, 1929)
No. 3. Railroad Consolidation, 125 pp. (June, 1929)
No. 4. Business, Speculation and Money, 123 pp. (January, 1930)
- Vol. XIV.** No. 1. Public Control of Power, 210 pp. (May, 1930)
No. 2. The Young Plan in Operation, 118 pp. (January, 1931)
No. 3. Depression and Revival, 129 pp. (June, 1931)
No. 4. Can Prices, Production and Employment Be Effectively Regulated? 146 pp. (January, 1932)
- Vol. XV.** No. 1. The Crisis in World Finance and Trade, 140 pp. (May, 1932)
No. 2. Steps Toward Recovery, 135 pp. (January, 1933)
No. 3. Tariffs and Trade Barriers, 91 pp. (June, 1933)
No. 4. Current Problems of Unemployment and Recovery Measures in Operation, 108 pp. (January, 1934)
- Vol. XVI.** No. 1. Money and Credit in the Recovery Program, 124 pp. (April, 1934)
No. 2. The Stabilization of Peace, 147 pp. (January, 1935)
No. 3. Problems of Social Security Legislation in the U. S., 132 pp. (June, 1935)
No. 4. The Constitution and Social Progress, 159 pp. (January, 1936)
- Vol. XVII.** No. 1. Economic Recovery and Monetary Stabilization, 135 pp. (May, 1935)
No. 2. Transportation Development in the United States, 136 pp. (January, 1937)
No. 3. The Foreign Policy of the United States, 134 pp. (May, 1937)
No. 4. Expenditures of the Federal Government, 137 pp. (January, 1938)
- Vol. XVIII.** No. 1. Essentials for Sustained Recovery, 122 pp. (May, 1938)
No. 2. Monopoly and Competition in Industry and Labor, 143 pp. (January, 1939)
No. 3. The Preservation of Democracy—America's Preparedness, 111 pp. (May, 1939)
No. 4. The Effect of the War on America's Idle Men and Idle Money, 133 pp. (January, 1940)
- Vol. XIX.** No. 1. Economic Nationalism, Trade Barriers and the War, 110 pp. (May, 1940)
No. 2. The Defense of the United States, 146 pp. (January, 1941)
No. 3. America Faces the Future, 119 pp. (May, 1941)
No. 4. American Industry in a War of Machines, 111 pp. (January, 1942)
- Vol. XX.** No. 1. Winning the War, 100 pp. (May, 1942)
No. 2. Transportation in Wartime and the United Nations, 111 pp. (January, 1943)
No. 3. Mobilization of Manpower and Pressing the Fight for Freedom, 96 pp. (May, 1943)
No. 4. The Problems of Total War and Roads to Victory, 143 pp. (January, 1944)
- Vol. XXI.** No. 1. Problems of War and the Transition to Peace, 128 pp. (May, 1944)
No. 2. Shaping the Economic Future, 139 pp. (January, 1945)
No. 3. World Organization—Economic, Political and Social, 191 pp. (May, 1945)
No. 4. European Recovery, 112 pp. (January, 1946)
- Vol. XXII.** No. 1. Labor Policy and Labor Relations, 107 pp. (May, 1946)
No. 2. Developing a Working International Order—Political, Economic and Social, 143 pp. (January, 1947)
No. 3. Free Enterprise—National and International, 108 pp. (May, 1947)
No. 4. America's New Foreign Policy, 124 pp. (January, 1948)
- Vol. XXIII.** No. 1. Prices, Wages and Inflation, 96 pp. (May, 1948)
No. 2. Food, 123 pp. (January, 1949)
No. 3. The United States and the Atlantic Community, 124 pp. (May, 1949)
No. 4. The American Foreign Aid Program, 122 pp. (January, 1950)
- Vol. XXIV.** No. 1. Freedom and the Expanding State, 147 pp. (May, 1950)
No. 2. The Defense of the Free World, 138 pp. (January, 1951)
No. 3. Mobilizing American Power for Defense, 154 pp. (May, 1951)
No. 4. International Tensions in the Middle East, 133 pp. (January, 1952)
- Vol. XXV.** No. 1. The Election Issues of 1952, 132 pp. (May, 1952)

The Proceedings are sent, together with the Political Science Quarterly as part of the membership privileges, to all members and subscribing members (libraries, institutions, etc.) of the Academy. The annual membership dues are \$6.00.

The publications of the Academy are sold to non-members as follows: single issues of the Proceedings, \$2.50; single issues of the Quarterly, \$1.50.

THE ACADEMY OF POLITICAL SCIENCE

BOARD OF DIRECTORS

President

LEWIS W. DOUGLAS

Vice-Presidents

THOMAS J. WATSON

LEO WOLMAN

Director and Secretary

GRAYSON L. KIRK

Associate Director and Asst. Treasurer

MARY M. ANGER

DOUGLAS M. BLACK

JOHN A. KROUT

JOHN J. McCLOY

W. RANDOLPH BURGESS

THOMAS S. LAMONT

SHEPARD MORGAN

ARTEMUS L. GATES

THE RIGHT HON. LORD LAYTON

THOMAS I. PARKINSON

ROBERT M. HAIG

SAMUEL McCUNE LINDSAY

FRANZ SCHNEIDER

ROSWELL MAGILL

Managing Editor of the Political Science Quarterly and Proceedings

JOHN A. KROUT

HONORARY MEMBERS

THE RIGHT HON. WINSTON S. CHURCHILL

GENERAL DWIGHT D. EISENHOWER

CHARLES RIST

EMILIO DEL TORO

The Academy of Political Science, founded in 1880, is composed of men and women interested in political, economic and social questions. The annual dues are \$6; life membership, \$100 (deductible on federal income tax). Members and subscribing members (libraries, institutions, etc.) receive as part of their membership privileges the current issues of the *Political Science Quarterly*, the semi-annual *Proceedings* of the Academy and invitations to Academy meetings.

The *Political Science Quarterly* is published in March, June, September and December by the Academy of Political Science and is edited by the Faculty of Political Science of Columbia University. The *Proceedings* are published in mid-winter and mid-summer. Single issues of the *Quarterly*, \$1.50; single issues of the *Proceedings*, \$2.50. Prices on back numbers and bound volumes will be quoted on request.

Members and subscribing members are urged to notify the Academy office of any change of address.

If members and subscribing members wish to discontinue membership in the Academy, notice to that effect should be sent; otherwise it is assumed that the membership will be continued.

Communications regarding the Academy should be addressed to the Director of the Academy of Political Science, Fayerweather Hall, Columbia University, New York 27, N. Y.